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Pilots Face Discipline In Italy Ski-Lift Deaths

U.S. Military Inquiry to Urge Punishment,
Possibly a First Hearing for Court-Martial

By Bradley Graham
Washington Post Service

WASHINGTON — Military investigators have blamed the four-man crew of a U.S. Marine jet for flying the aircraft too low and too fast when it severed a cable-car wire and sent 20 people plummeting to their deaths in Italy last month, defense officials said Wednesday.

In a report due for release Thursday, the investigators recommended punitive action against the crew members of the EA-6B Prowler surveillance jet.

That could include an Article 32 hearing, which would be a preliminary action in the event of a court-martial. The Associated Press reported.

The results were to be announced Thursday at the U.S. air base in Aviano, Italy, by Major General Michael DeLong, president of the accident investigation board and deputy commander of the U.S. Marine Corps Forces Atlantic, based in Norfolk, Virginia.

The investigation found that "appropriate disciplinary and administrative action should be taken against all" of the Prowler's crew members, a senior Marine officer said in Washington.

Marine commanders had acknowledged earlier that the Prowler was flying below the approved altitude during a training mission that took it over the

Cavalese ski resort in the Dolomite Mountains. But until now, they had withheld judgment over whether pilot error or some mechanical malfunction were to blame.

Investigators found that the plane was flying at 300 to 400 feet (90 to 120 meters) above the ground, instead of the required 2,000 feet, and that it exceeded the speed limit of 450 knots by more than 50 knots.

The accident Feb. 3 touched off outrage across Italy because of repeated prior complaints about low-level training missions in the Dolomites. American and Italian military planes have used the area to practice surveillance and radar-jamming runs for Bosnia peacekeeping operations.

Italian authorities have demanded the American airmen be held accountable under Italy's criminal laws, and local prosecutors have brandished the prospect of multiple manslaughter charges. The Marine aviators have remained in Aviano, where the Prowler was temporarily based, pending completion of the investigation and resolution of the jurisdictional dispute.

While the decision on whether to surrender the Marines to Italian authorities rests with NATO's top military com-

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Tokyo prosecutors walking Wednesday to the Bank of Japan, where they arrested an official who was charged with leaking sensitive data to banks.

Japan Is Shaken By Arrest of Aide At Central Bank

Governor May Quit After Charges
That Official Leaked Market Data

By Sheryl WuDunn
New York Times Service

TOKYO — The governor of Japan's central bank suggested Wednesday that he would resign to take responsibility for the arrest just hours earlier of a subordinate accused of leaking sensitive market data to major Japanese banks.

The images on television screens of scores of prosecutors marching into the Bank of Japan to arrest the subordinate was a stunning confirmation to many Japanese of how widely corruption has spread throughout the government and financial system.

The arrest adds to the increasingly uncomfortable perception here of besieged regulators, who are no longer able to effectively administer the world's second-largest economy.

The Bank of Japan is regarded as one of the nation's cleanest institutions, so the arrest immediately raised questions about the possible impact on global confidence in Japan's financial system, which is already bruised by banking troubles.

Economists and bankers said the arrest was unlikely to have an immediate effect on macroeconomic policy or the stability of the financial system. The yen initially tumbled on news of the arrest, but later recovered.

The incident is particularly worrisome because the alleged leaks involved advance information on the central bank's open-market operations and data on the *Tankan* survey, one of the most closely watched reports issued by the bank on the state of the economy. Bankers also privately expressed concern that the arrest of the central bank official, Yasuyuki Yoshizawa, 42, who runs the bank's capital-markets division, could lead to greater turmoil within the central bank, particularly if the central bank governor, Yasuo Matsushita, resigns.

[Nikkei English News reported late Wednesday that Mr. Matsushita said he would resign to take responsibility for the scandal, and hinted he might depart at the end of this month, Bloomberg News reported.]

[Mr. Matsushita said he would step down after an in-house investigation is completed and before the revised Bank of Japan law takes effect April 1, the news



Mr. Matsushita, the bank's governor, at a news conference on Wednesday.

Clinton Tries To Reassure UN Leader

But He Insists on Right
To Launch Strike at Iraq

By Brian Knowlton
International Herald Tribune

WASHINGTON — President Bill Clinton offered assurances Wednesday to the United Nations secretary-general, Kofi Annan, that the United States would consult its Security Council partners before any military action against Iraq, but he again insisted that the United States reserved the right to launch a strike without their backing.

At the same time, Mr. Clinton defended the arms-inspection agreement Mr. Annan worked out with Iraq last month. At a brief photo opportunity, he praised Mr. Annan and said he deserved "a lot of appreciation."

"We believe that the resolution gives us the authority to take whatever actions are necessary, but of course we would consult," Mr. Clinton told reporters before a meeting with Mr. Annan. "It would be unthinkable that we wouldn't."

The president sought to rebut harsh criticism of the accord from some conservative legislators, saying, "The agreement in its own terms is clearly not a sellout."

Mr. Clinton and Mr. Annan carefully avoided a public disagreement about the consultation issue. The president repeated the U.S. insistence that UN resolutions passed at the time of the Gulf War gave Washington all the authority it needs to decide on its own to strike Iraq.

He said he had consulted intensively with other foreign leaders as the crisis over Iraq evolved in recent months, and added, "I'm not sure there is a conflict between our positions."

Mr. Annan said he agreed with Mr. Clinton's analysis.

"Consultation," he said, "is an ongoing process, and part of the way we do business in the international commu-

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Best of Times Are Over, Suharto Says

By Cindy Shiner
Washington Post Service

JAKARTA — President Suharto began a seventh five-year term in office Wednesday with a somber call for national unity and collective belt-tightening.

As he spoke, thousands of students staged their biggest and most fiery anti-government protest since the economic crisis erupted eight months ago.

"Today, we are going through extremely difficult tests and trials," Mr. Suharto said in his inaugural speech. "We are being subjected to very hard economic and financial turmoils. We will never enjoy again an economic growth such as we have experienced for more than the past quarter-century."

As Indonesia struggles with the worst economic and political crisis since Mr. Suharto came to power 32 years ago, the People's Consultative Assembly, the na-

tion's most powerful policy-making body, elected Research and Technology Minister B. J. Habibie as vice president.

Mr. Habibie, a workaholic and surrogate son to Mr. Suharto, could become president if Mr. Suharto, who was ill in December, fails to complete his term or stand for election again in 2003.

The aeronautical engineer has economic views that have often clashed with those of the technocrats who guided Indonesia through three decades of steady growth. When his name first surfaced as a vice-presidential candidate this year, the rupiah plunged, with the dollar rising to a record high of 17,000 rupiah. On Wednesday, the dollar was at 10,550 rupiah.

University students, angry over the high prices that have resulted from the economic crisis that they blame on government mismanagement and corruption, have staged protests over the past two weeks. The demonstrations turned

violent Wednesday for the first time, shortly after Mr. Suharto was sworn in.

Up to 10,000 students demonstrated at Gadjah Mada University in Yogyakarta, on the main island of Java, and burned an effigy of Mr. Suharto, while thousands of others protested in the eastern town of Surabaya, on the outskirts of the capital, and in other cities.

The Yogyakarta protest was reportedly peaceful, but more than a dozen students were injured in a clash with troops in Surabaya.

Jakarta banned street protests during the weeks before and after the assembly meeting, which ended Wednesday.

Their scope of demands vary, but the students mainly call for price cuts and political reform, and they say they will continue demonstrating until their demands are met.

"We don't want the tension to drop

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AGENDA

Israeli Army Tries To Curb Violence

As three Palestinians killed by Israeli soldiers were buried, Israeli security forces struggled on Wednesday to prevent mounting unrest on the West Bank from spinning out of control.

During violent demonstrations in Hebron and Ramallah, a total of 26 Palestinians were wounded. Israeli Army authorities met with their Palestinian counterparts in an effort to contain the violence.

Yasser Arafat, the Palestinian leader, called the killings "a big crime."

The Hebron chapter of his Fatah organization called for "clashes with the gangs of settlers and occupation forces everywhere and with all means" on Thursday. The statement accused Prime Minister Benjamin Netanyahu of Israel of "blowing up" peace efforts. Page 7.

Mussolini-Mobile Sold for \$107,000

GENEVA (AP) — A car that Benito Mussolini, the Italian dictator, gave to Claretta Petacci, his mistress, in 1940 was sold for 156,000 Swiss francs (\$107,000) at a Geneva auction Wednesday.

The Fiat 2800 luxury coupe was bought by a Swiss intermediary for an unidentified American collector, said the auctioneer, Brooks.

The Dollar		
New York	Wednesday @ 4 P.M.	previous close
DM	1.8316	1.8292
Pound	1.6485	1.641
Yen	129.375	127.415
FF	6.141	6.1326
The Dow		
Wednesday close	previous close	
+32.63	8675.75	8643.12
S&P 500		
change	Wednesday @ 4 P.M.	previous close
+4.21	1068.46	1064.25

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Newstand Prices		
Sahara	1,000 SD	Malta .55 c
Cyprus	C £ 1.00	Nigeria 12500 Naira
Denmark	14.00 DKr	Oman 1,250 OR
Ireland	12.00 FM	Qatar 10.00 QR
Israel	£ 0.85	Rep. Ireland IR £ 1.00
Japan	1,250 JD	Saudi Arabia 10 SR
South Africa	£ 5.50	U.A.E. R12 + VAT
Spain	1,250 JD	U.A.E. 10.00 Dh
Switzerland	SK 54.180	U.S. Mil (Eur) \$ 1.20
Tanzania	700 Tls	Zimbabwe Zim\$40.00



Heeding Death Threats, Red Cross Leaves Kosovo



Ethnic Albanians burying relatives killed in the Kosovo security sweep.

By Chris Hedges
New York Times Service

PREKAZ, Serbia — The International Committee of the Red Cross withdrew its foreign staff from the troubled province of Kosovo on Wednesday because of death threats, severing the work of the agency in an area where scores of people have been killed in the last few days by Serbian security forces.

"We have called our foreign staff to Belgrade for consultations because yesterday and last night our expatriate staff received repeated anonymous death threats," said Gordana Lenkovic, a Red Cross official in Belgrade.

Police and paramilitary units in Serbia mounted two offensives against ethnic Albanian separatists in Kosovo on Feb. 28 after six Serbian policemen were killed. The sweeps have left at least 74 ethnic Albanians, including some two dozen women and children, dead. Scores of people remain missing. The Red Cross, which specializes in providing humanitarian assistance in

conflict zones, has been blocked, along with most outsiders, from the villages under siege by the police.

Officials said the death threats — some in English — were made in five anonymous phone calls to the offices of the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies in the provincial capital of Pristina. The messages said that foreigners working for the organization in Kosovo would be killed, officials said.

The six major powers that deal with the former Yugoslavia called on Belgrade on Monday to give the Red Cross full access to the region in central Kosovo now cordoned off by police and paramilitary units.

The Contact Group of overseers — comprising Britain, France, Italy, the United States, Germany and Russia — also reimposed modest sanctions on the rump Yugoslavia, composed of Serbia and Montenegro. It also told the

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In Seoul, Abuse Revs Up For Foreign-Car Owners

By Don Kirk
International Herald Tribune

SEOUL — Koreans who get behind the wheel of a foreign car these days have to drive defensively, and it's not because of the traffic. It's because they have been beaten and choked and branded as traitors.

"Our customers are afraid of driving their new cars because people persecute and harass them," said Choi Byung Kwon, chairman of the Korea Automobile Importers and Distributors Association. "They accuse them of selling out the nation."

South Korea's foreign-car dealers organized a press conference Wednesday to appeal to Koreans to stop the verbal and physical attacks against owners of imported automobiles.

With thousands of companies collapsing, tens of thousands of people losing their jobs and prices rising since the country's financial crisis began last

fall, Koreans are expressing their resentment in a campaign against foreign products in which foreign-made cars are literally the most visible target.

Foreign-car owners have had insults, and occasionally eggs, hurled at them on the road, said the car dealers. Restaurants and nightclubs have been known to refuse parking spaces to foreign cars, gasoline stations occasionally refused to serve them, and owners have found their autos with nails in the tires and anti-foreign warnings smeared on windows and doors.

The dealers showed videos of new cars that had been scratched, dented and spray-painted with slogans and threats. One woman was "grabbed by the neck and abused" when she got out of her imported car, said Yoon Dae Sung, executive director of the foreign-car dealers' group. Finally, she decided to sell it rather than risk injury to herself and

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Camelot for Sale (Again)

After Jackie's, JFK's Items Are Up for Auction

By N. R. Kleinfield
New York Times Service

NEW YORK — Prancing out of the recesses of history come the big and the small, the presidential bust and the president's plastic Ace comb.

Here are his scribbles on the Cuban missile crisis as well as his Bell System phone card. Notice the Oval Office flags, his shoehorn, a picture of the president with Roger Maris, a Jackie Gleason record album he liked to listen to, his racing sloop, even two pairs of his long johns. (Bear in mind, one pair is missing two buttons.)

On and on they come, some 600 items for insatiable Kennedy buffs — or anyone thirsting to clutch the residue of times past.

Next week, several thousand people are expected to squeeze into an Upper East Side armory and relive Camelot through their wallets. In the hyper-ventilated world of vicarious living, the auction of John F. Kennedy memor-

abilia looms as the latest gauge of the price of homage.

Rarely do so many personal artifacts of so mythologized a figure come up for sale in the throbbing memorabilia marketplace, where something as mundane as a toothbrush acquires ethereal dimensions and a multithousand-dollar price tag simply because of whose teeth it brushed.

Who, after all, can forget the buying frenzy of the Jacqueline Kennedy Onassis estate sale at Sotheby's two years ago, which propelled prices into an uncharted stratosphere?

"Do we hope that lightning strikes twice?" said Arlan Etinger, the president of Guernsey's, which is conducting the Kennedy sale next week. "Sure we do. Are we realistic that things might not go as well? Sure we are. It's an auction."

Guernsey's, a small auction house that once sold the contents of the ocean

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THE AMERICAS

Clinton Testimony Being Discussed With Starr's Office

By John M. Broder
and Stephen Labaton
New York Times Service

WASHINGTON — President Bill Clinton's top lawyer and prosecutors investigating the Monica Lewinsky matter have recently opened discussions over whether Mr. Clinton would provide grand jury testimony, according to a senior administration official and a lawyer involved in the inquiry.

The contact between the president's lawyer, David Kendall, and prosecutors appears not to have resulted yet in any agreement over the timing or scope of the president's testimony. "I'm not going to talk about that today," Mr. Clinton said during an Oval Office picture-taking session with Kofi Annan, the secretary-general of the United Nations, according to The Associated Press. "I can't. I've got to do the work that the people of this country hired me to do."

[Taking Mr. Clinton's side, Mr. Annan told reporters, "I wish you would concentrate on my issues." When a reporter tried to return to the grand jury investigation, the White House press secretary, Michael McCurry, cut off questioning, saying, "Thank you, everyone. We're done."]

The discussions suggest that the Whitewater independent counsel, Kenneth Starr, could complete the fact-finding phase of the Lewinsky inquiry within the next few weeks, as

Mr. Clinton would be one of the final witnesses to testify. Negotiations with Ms. Lewinsky's lawyers over her providing testimony under a grant of immunity broke down weeks ago.

There are significant political and legal calculations on both sides. The president might be reluctant to refuse a request by Mr. Starr that he testify in the Lewinsky case because it would leave the impression that he has something to hide.

But testifying poses both legal and political risks. He could be caught by surprise, as he was in the Paula Jones deposition, in which he was asked for the first time about Ms. Lewinsky.

Although Mr. Starr could simply subpoena the president, rather than try to negotiate his testimony, doing so might make him appear overly aggressive and might lead the president to claim executive privilege and refuse to answer questions, a step that could lead to a protracted court battle that would delay Mr. Starr's inquiry by months.

At least two senior White House aides — Bruce Lindsey, the deputy counsel, and Sidney Blumenthal, a communications adviser — have refused to answer some of Mr. Starr's questions before the grand jury, citing the right of the president to confidential conversations with his staff.

Mr. McCurry said he did not know details of the talks between Mr. Kendall and the independent counsel's office.

However, he said, "In the past, when Mr.

Starr wanted to talk to the president, they have worked out amicable terms to do so."

Lawyers in Mr. Starr's office declined to comment on whether they had engaged in discussions over the president's grand jury testimony.

Mr. Clinton said shortly after the Lewinsky accusations surfaced in January that he and his staff would cooperate in the investigation. He said he would like to clear up questions raised by the inquiry "sooner rather than later."

The president has said very little about his relationship with Ms. Lewinsky. She has told friends that she had a sexual affair with the president, but in an affidavit for the Paula Jones sexual misconduct lawsuit, she said there was no sexual relationship, according to lawyers involved in the case. Mr. Clinton vigorously denied having sexual relations with Ms. Lewinsky or encouraging her to lie about any such relations.

Mr. Starr and his predecessor, Robert Fiske Jr., have taken the president's testimony under oath at the White House on several previous occasions on a variety of Whitewater-related matters. Portions of that testimony were later read to grand jurors.

Mr. Starr and Mr. Fiske have also questioned Hillary Rodham Clinton at the White House about the Clintons' business affairs in Arkansas, although once, in early 1996, Mr. Starr ordered Mrs. Clinton to appear before a grand jury in Washington. Her appearance

was demanded after a copy of some of the billing records from her old law firm mysteriously surfaced in the residence of the White House nearly two years after they were first subpoenaed.

At the federal courthouse here Tuesday, prosecutors questioned Kathleen Willey, a former White House volunteer, about an alleged 1993 Oval Office sexual encounter with Mr. Clinton. Mrs. Willey did not speak to reporters after her four-hour grand jury appearance, and her lawyer did not return telephone calls seeking comment.

Citing Mrs. Willey's appearance, defenders of the president raised new questions about Mr. Starr's conduct of the investigation.

Lawyers and other members of Mr. Clinton's defense, speaking on the condition of anonymity, said her testimony was evidence of collusion between Mr. Starr and Mrs. Jones's legal team. They said his questioning of witnesses in the Jones lawsuit indicated that Mr. Starr's office had been following Mrs. Jones' lawyers in trying to establish a record of sexual misconduct and obstruction of justice by the president and his agents.

Lawyers in Mr. Starr's office have said that the first point of intersection of their long-running Whitewater investigation with the Jones lawsuit came in mid-January, when they became aware of accusations that Mr. Clinton had had a liaison with Ms. Lewinsky and encouraged her to lie about it.

POLITICAL NOTES

Democrat Wins Bellwether Race

SANTA BARBARA, California — Lois Capps, a liberal Democrat, has defeated Tom Bordonaro, a conservative Republican, in a closely watched congressional special election that was seen by both sides as a possible harbinger of the 1998 House elections in the nation's most populous state.

With more than 90 percent of the vote counted, Mrs. Capps led Mr. Bordonaro by 8 percentage points.

Mr. Bordonaro, who upset a moderate, Brooks Firestone, in the Republican primary, ran poorly in precincts previously carried by Mr. Firestone. Mrs. Capps led from start to finish in what had been projected as a tight race, establishing a commanding lead in an early count of absentee ballots and holding it throughout Tuesday evening.

Mrs. Capps, 60, a former Santa Barbara school nurse, is the widow of Walter Capps, who died Oct. 28 after 10 months in office as a congressman. He was the first Democrat since World War II to represent this district.

Mr. Bordonaro, 38, is a state assemblyman, former businessman and member of a San Luis Obispo ranching family. He has been in a wheelchair with limited use of his arms since a car accident in 1977. (WP)

Linking IMF and Abortion

WASHINGTON — Republican leaders in the House of Representatives said Wednesday that they would link anti-abortion provisions to a funding package for the International Monetary Fund and the United Nations.

The White House threatened to veto the IMF package if Republicans attach anti-abortion provisions to it.

The provisions, which killed a similar funding bill for the IMF last year, would likely hurt its chances of passage through Congress by driving away Democrats and the Clinton administration. Speaking after a meeting of House Republicans, the appropriations committee Chairman, Bob Livingston of Louisiana, said the package would prohibit any U.S. funding to private or multilateral institutions that lobby to change foreign government laws that now ban abortion.

The bill would include the full \$18 billion for the IMF requested by the administration and just under \$1 billion to pay U.S. arrears to the United Nations, he said. (Reuters)

Criminal Casts Vote in House

WASHINGTON — Representative Jay Kim, Republican of California, sentenced this week for accepting illegal campaign contributions, walked onto the House floor Tuesday and to the surprise of his colleagues, cast his first vote as a man convicted of a federal crime.

In a few days time, Mr. Kim will surprise them again. He is expected to become the first member of Congress to wander the chamber wearing a court-ordered electronic monitoring bracelet.

"It's a very strange situation," said Representative Martin Frost, Democrat of Texas, who presides over the Democratic Congressional Campaign Committee.

On Monday in California, Mr. Kim was sentenced to one year of probation, a \$5,000 fine and two months of electronic monitoring in what prosecutors called the largest case of campaign finance violations in U.S. history. Last year, the congressman pleaded guilty to accepting \$250,000 in illegal contributions, a misdemeanor.

House members convicted of crimes can remain in Congress, but those convicted of felonies cannot vote.

Mr. Kim's political future in Congress — at least this term — is not entirely up to him. The House ethics committee is investigating Mr. Kim and could recommend a reprimand, censure, expulsion or nothing at all, once its inquiry is complete. The full House would have to approve the committee's report, with expulsion requiring a two-thirds vote. (NYT)

Quote/Unquote

Joe Lockhart, a White House spokesman, mimicking a phrase he often uses to avoid answering questions about the Lewinsky investigation, on the announcement that Buddy, America's first dog, will undergo an operation to make sure he brings no little Buddies into the world: "The counsel's office has told me I can't answer that question." (LAT)

Away From Politics

• A couple who hired a surrogate to carry an artificially conceived baby caused the girl's birth and are as much her parents as they would be if she were born the usual way, an appeals court in Santa Ana, California, ruled. The court ordered the father of Jaycee Louise Buzzanca, now almost 3, to pay child support to his former wife. (AP)

• The United States has hired 1,000 extra agents to patrol the Mexican border as part of a multibillion-dollar campaign to keep out illegal immigrants, criminals and drug smugglers. Doris Meissner, commissioner of the Immigration and Naturalization Service, said the agency would deploy most of the new agents in Texas. (WP)

• The Federal Aviation Administration is investigating whether an air traffic tracking system went out amid reports that Air Force One vanished from radar screens for 24 seconds. Broadcast reports said the airplane disappeared from radar screens Tuesday as President Bill Clinton traveled to Connecticut. (AP)

• The Pathfinder spacecraft is officially dead. NASA scientists said after a last-ditch attempt to communicate with the little rover and lander that made history on Mars last summer. The scientists spent five fruitless months trying to communicate with the craft that likely had succumbed to the cold and dust of the Martian winter. (AP)



HONORED — Former President George Bush receiving the Sam Houston Humanitarian Award at Sam Houston State University in Texas.

AMERICAN
TOPICS

Utilities Recycle Their Sludge Into Profit

U.S. power plants burned \$70 million tons of coal in 1996, leaving about 100 millions of ash to be disposed of. Only about a quarter of that was recycled, according to the Electric Power Research Institute. The Pennsylvania Power Co. plant near Shippingport dumps about 500,000 tons of ash-filled sludge a year into a disposal area. But that will soon change. National Gypsum Co. has broken ground on a \$79 million plant to treat the sludge and use it to make synthetic-gypsum wallboard for construction. It will be one of the largest recycling projects in North America.

Other utilities have recycled ash for use in roof shingles, asphalt and aluminum castings for engine blocks. Delmarva Power & Light found such recycling so lucrative that the Delaware utility began mining ash from its disposal pits.

Creating synthetic gypsum, such as National Gypsum will produce, costs less than mining natural gypsum from underground deposits, the Pittsburgh Post-Gazette reports. The project will lower the power company's disposal costs and extend the useful life of its dumping area.

Short Takes

Mike Marko has a Washington State University Cougars sweatshirt, slips coffee from a Cougars mug and roots for WSU teams. After he gets his bachelor's degree, he might even visit his campus — 1,786 miles away.

College had been elusive for the Ohioan, 44. But the Internet, video conferencing and such simpler technology as videotapes have lowered barriers for him and many others otherwise isolated from campuses. By 1995, the Education Department said, more than 700,000 students were taking off-campus courses electronically; two in three colleges and universities are expected to offer such courses this year. The University of Texas decided last year not to build a new campus, creating a "TeleCampus" instead.

Mr. Marko watches taped lectures and talks to professors and classmates by toll-free voice mail. "It's the greatest thing," he said, "since the invention of the wheel."

Brian Knowlton

Tale of the Whitewater Paper Chase

By Jeff Gerth
New York Times Service

WASHINGTON — The Whitewater investigation might never have come to life had James McDougal not been burning trash outside his cabin in rural Arkansas one day when he was also burning with anger at Bill and Hillary Clinton.

It was 1990 and Mr. McDougal, a wealthy and influential Arkansas banker only a few years before, was destitute and alone, no longer in touch with the Clintons, his former friends. As he was burning trash, a wind blew some papers out of the flames. They were banking records from the Whitewater real-estate deal in which he and the Clintons had been partners.

Mr. McDougal put the papers in a safe place. Two years later, in a bitter attempt to get even with the Clintons as they climbed toward the White House, he turned the papers over to this reporter for The New York Times.

He intended the attack to harm Mr. Clinton. Instead, it destroyed Mr. McDougal, leading to the Whitewater independent counsel who indicted, convicted and jailed him for his management of a corrupt savings and loan association.

When he died Sunday in solitary confinement in a federal prison hospital, Mr. McDougal was the self-administered victim of his own acts of revenge.

"He thought it would redound against them but not against him. He was so enraged at the Clintons during that period," said Curtis Wilkie, a former political reporter for The Boston Globe who helped Mr. McDougal write his memoirs, "Arkansas Mischief."

But in the book, Mr. Wilkie said, Mr. McDougal "does admit that he sowed the seeds of his own self-destruction."

While Mr. McDougal started the now four-year-old investigation, his importance to it is uncertain. Fearing he would die in jail after his conviction in 1996, he cooperated with Kenneth Starr, the independent counsel, in return for a lighter sentence.

He provided valuable information — he was questioned by investigators 58 times before his sentencing — but his prosecutorial worth was never clear. His conflicting accounts left his credibility as a witness open to challenge. He apparently had no new documents, and his last encounter with the Clintons was more than a decade old.

A few weeks ago another McDougal associate, the former Arkansas governor Jim Guy Tucker, also agreed to cooperate with Mr. Starr, but now the possibility of Mr. McDougal's corroborating his information is gone.

Mr. McDougal's knowledge had always been a political threat to the Clintons. The Whitewater investigation would eventually go far beyond a real-estate deal in Arkansas to examine, among other things, efforts by the Clintons and their associates over the last six years to contain politically damaging accounts about their personal and political finances.

Investigators, for example, have examined a March 1992 letter to Mr. McDougal from a representative of Mr. Clinton's. The letter asked Mr. McDougal

not to release any more Whitewater papers, and warned him that he still faced possible prosecution for the way he operated his failed savings and loan, Madison Guaranty.

In an interview soon after he received the letter, Mr. McDougal said that he interpreted the warning as a lightly veiled threat, but that he believed he could "beat the feds" again. At the time, he boasted frequently about his acquittal in 1990 on federal fraud charges arising from his management of Madison.

It was shortly after that trial that the quirk of fate intersected with Mr. McDougal's bitter emotions.

Despite his good legal fortune in winning acquittal, Mr. McDougal was in bad straits. He suffered from a variety of physical and mental ailments, including manic depression. His only income was from Social Security disability payments. He and his wife were divorced.

After his acquittal, Mr. McDougal said he received a brief congratulatory phone call from Mr. Clinton. Soon after, Mr. McDougal recalled in a 1992 interview, Mr. Clinton called his former wife, Susan McDougal, and asked, "Can I talk to Jim, will he chew my ass out?"

Mr. McDougal said his bitterness stemmed from Mr. Clinton's failure to follow up on a promise of a job first made in 1988.

Meanwhile, Mr. McDougal burned papers in a trash fire outside his home in Arkadelphia, Arkansas. According to Mr. Wilkie, "some papers flew out of the fire, almost providentially."

"Jim looked at them and then kept them, stuck in a file somewhere," Mr. Wilkie said.

Two years later the New York Times reporter visited Mr. McDougal in Arkadelphia. The former banker insisted that all of his Whitewater records had been turned over to the Clintons years earlier. In fact, he said, his failure to get them back was just one of many resentments he harbored against his partners of 14 years.

He called himself "an easy mark" who did not start getting irritated with his longtime friends until the mid-1980s, when Mr. Clinton asked him to retire an old campaign debt and to have Madison hire Mrs. Clinton and her law firm.

A few weeks after the reporter's visit, Mr. McDougal discovered — by accident, he said — some Whitewater bank records in a rusty file cabinet — the same papers that had survived the fire. When he decided to turn over the records, according to Mr. Wilkie, it was as part of a plan to counter the arguments of the Clintons, who were blaming Mr. McDougal for their losses in their Whitewater investment.

3 Armed Services Oppose
Segregation by Gender

All Recruits Should Train Together, They Say

By Steven Lee Myers
New York Times Service

WASHINGTON — The U.S. Army, Navy and Air Force are expected to reject a committee's recommendations that the nation's armed services separate men and women for much of basic and advanced training, according to officials.

In drafts of reports prepared for Defense Secretary William Cohen, the three services have opposed separating recruits by gender at the most basic level of training and housing them in separate barracks, as recommended by a special panel headed by the former Senator Nancy Kassebaum Baker, Republican of Kansas, the officials said Tuesday.

Mrs. Kassebaum Baker's recommendations, made in December, rekindled debate inside and outside the Pentagon about the decades-long efforts to integrate women into the military. Created following reports of sexual harassment at the army's advanced training school at Aberdeen, Maryland, the panel concluded that the army, navy and air force should train more like the Marine Corps, which strictly segregates male and female recruits at the corps' recruit depot on Parris Island, South Carolina.

Both President Bill Clinton and Mr. Cohen said that the Kassebaum Baker report was issued that they would respect

the views of the services on this issue. For that reason, Mr. Cohen is unlikely to go against the wishes of the services on such a controversial change.

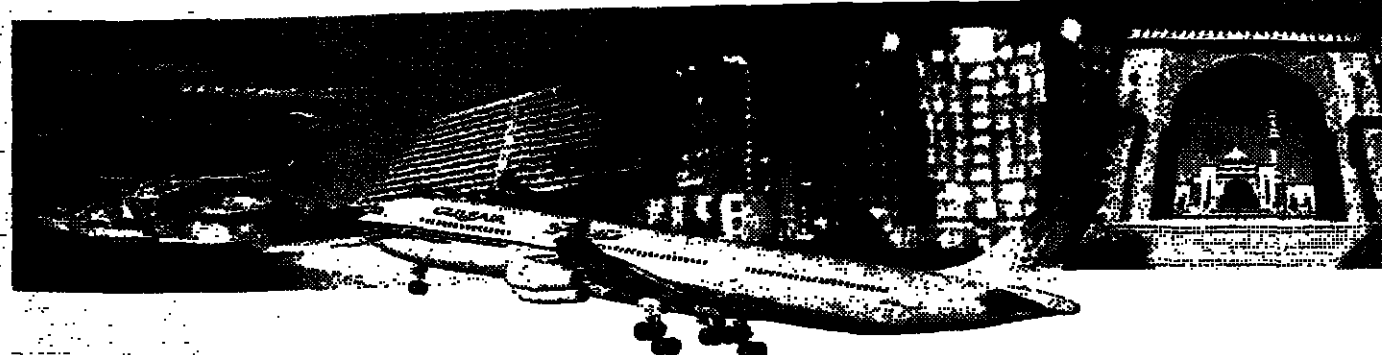
The officials said Tuesday that the three services would accept many of the panel's other recommendations. The services do agree with making improvements in training and the recruiting of drill sergeants and toughening physical fitness standards, the officials said.

But after years of occasionally wrenching efforts to bring men and women closer together in virtually all parts of military life except the most intense combat, the services could not support separating recruits by gender when they entered the services and began their inculcation into the military, the officials said.

"We want these young people to get adapted to our way of life when they come in," a senior military official said, noting that men and women served together in most jobs in the army, navy and air force.

With Mrs. Kassebaum Baker's panel holding the Marine Corps training as something of a model, that service is not expected to dispute the recommendations on separate units and barracks. Like the other services, the Marine Corps is expected to embrace many of the other recommendations on providing better resources for training and recruiting.

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ASIA/PACIFIC

Just Another Skirmish For Indonesian Warrior

Human Rights Campaigner Continues Fight That He Began Decades Ago as a Dutchman

By Thomas Fuller
International Herald Tribune

JAKARTA — Hanging above a battered vinyl couch in J. C. Princen's office is a small, five-pointed bronze star and a faded certificate signed "Sukarno." It's a badge of courage that Mr. Princen, 72, has used throughout his career as an Indonesian human-rights campaigner — proof of patriotism from the country's first president, commemorating Mr. Princen's role in the struggle for independence.

These days Mr. Princen would seem to need the credential. He continues to attack the government at a time when officials in Jakarta, faced with a financial crisis and increasing social disquiet, are particularly sensitive to criticism.

Earlier this week, Mr. Princen was one of about 150 activists who defied a ban on political protests in the capital. A handful of his colleagues were arrested at the demonstration, which protested the re-election of President Suharto.

"I would very much like that they arrest me at the moment," Mr. Princen said. "Not only because I'm vain, but because I want to prove how this regime works."

Mr. Princen's official title is director of the Institute for the Defense of Human Rights, one of about 30 nongovernmental organizations in the capital that lobby on such issues as women's rights, unfair labor practices and political reform.

He spends a good deal of his time writing open letters to Mr. Suharto. He demands that extra-judicial bodies be abolished, asks for answers about disappearances in East Timor and says political change needs to take place before the economy can recover.

Mr. Princen knows Indonesia's prisons and judicial system well; he has spent a total of 10 years in jail during the presidencies of both Mr. Sukarno and Mr. Suharto. The first time was when, as a member of Parliament, he charged that government spending was not distributed equally among the country's outlying islands. President Sukarno did not take kindly to the criticism, and soon after Mr. Princen was whisked off to jail.

These days, Mr. Princen is the man in the wheelchair at political rallies, the *Pahlawan Gerilya* — guerrilla hero — the two words etched on his bronze star. He is rarely absent from a courtroom during political trials, and students around the country smile with admiration when his name is mentioned.

His main preoccupation during the current crisis is that government critics are not only being detained or arrested, he says, some are disappearing altogether. A Western diplomat in Jakarta said he has counted about two dozen unexplained disappearances since the economic crisis started last fall. Amnesty International lists a similar figure.

Johannes Cornelis Princen would appear to be an unlikely candidate as a leader in Indonesia's human rights movement. He was born and raised in the Netherlands, Indonesia's colonial master for several hundred years before legal independence in 1949.

Mr. Princen's first contact with Indonesia came after World War II, when he was sent as a soldier in the Dutch Army to help retain the colony.

But an adolescence under Nazi rule and two years in German prisons and concentration camps — he was accused of assisting the Resistance after the Germans invaded in 1940 — changed his attitude toward wars and armies.

"It directed my life," he says. "And made me fight against cruelty." So much so that Mr. Princen turned on his countrymen and joined the Indonesian

guerrillas fighting for independence.

"I thought the Indonesians were right. I thought they should be the ones to decide their own future," Mr. Princen became an Indonesian citizen in 1949.

From his terrace at his one-story house, Mr. Princen works the phone. He checks up on reports of a clash between student protesters and the army in Bandung, about 130 kilometers (80 miles) outside Jakarta. (The reports proved false.) And he gives unsolicited advice for Western envoys scheduled to visit President Suharto.

"You have to talk to Suharto in a very special way," he said. "Think about karma."

Mr. Suharto cannot carry the debts of Indonesia's people to his grave, he said. "He should be reminded that karma will wait for him. Whatever he does will return to him."

Like many other veteran activists, Mr. Princen said he once supported Mr. Suharto as an alternative to President Sukarno. But he says his opinion of Mr. Suharto changed "the moment he started gathering as much money as he could for himself."

In declining health recently, Mr. Princen says he wants to visit his brother in the Netherlands. Veterans groups there protested vigorously during his last visit several years ago, putting in jeopardy his visa this time.

Mr. Princen says he understands the veterans' view. He likens his decision to fight with the Indonesian guerrillas to that of a U.S. soldier in Vietnam joining the Viet Cong.

But he defends his decision and the ethical issues that surround it.

"Did you shoot the Dutch? Did you kill the Dutch?" he says he is often asked. "Yes, yes."

Parties in Korea Talks Await North's First Move

By Don Kirk
International Herald Tribune

SEOUL — President Kim Dae Jung's efforts to break the blockade in relations with North Korea have created a sense of hope that talks in Geneva this weekend among the protagonists of the Korean War may go beyond past rhetoric.

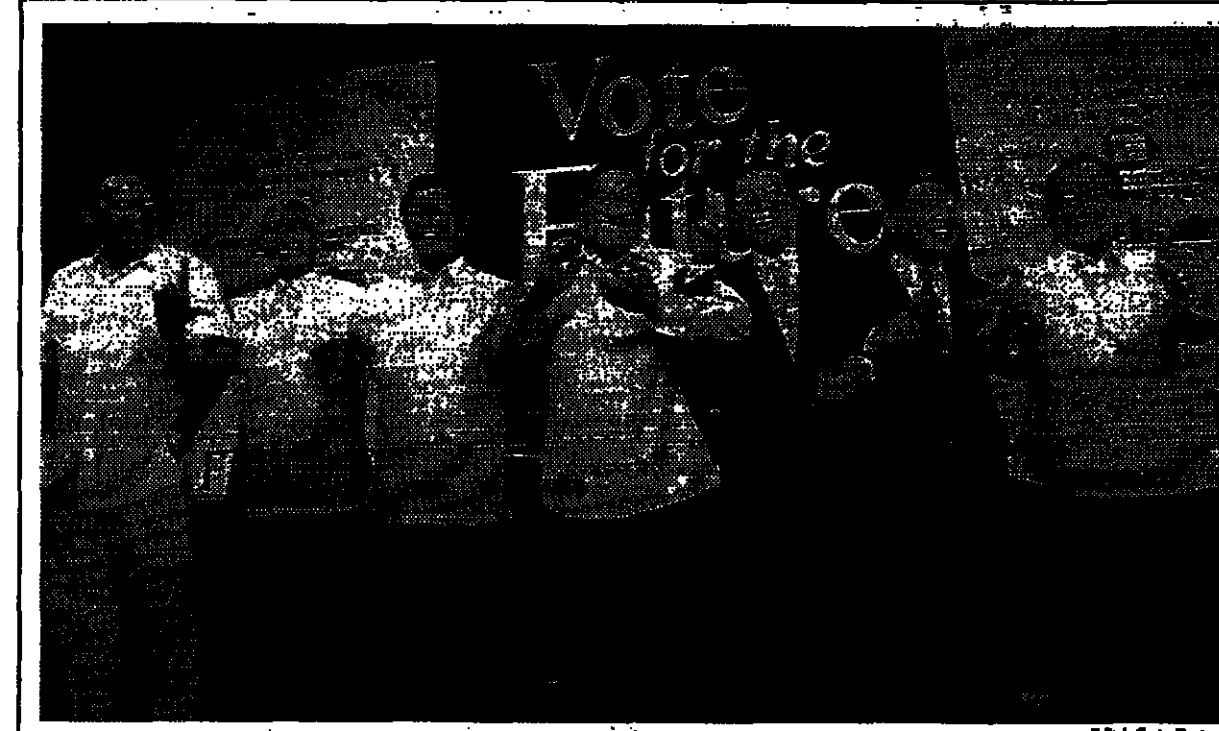
Diplomats and other North Korea-watchers note that the North has refrained from the kind of harsh commentaries with which it greeted Kim Dae Jung's predecessor, Kim Young Sam, after his election in 1992.

This time, a U.S. Embassy official said, "We hope to be able to move beyond sterile debate and get into matters of substance."

Negotiating teams from North and South Korea, China and the United States will hold their second round of "four-party talks" aimed at bringing peace to the Korean Peninsula and ending the confrontation across the heavily armed demilitarized zone.

The first round, held in Geneva a week before Mr. Kim's election in December, foundered on the North's insistence on two points unacceptable to the United States or South Korea: that the talks focus on the withdrawal of the 37,000 U.S. troops from Korea, and that North Korea and the United States, without Seoul, conclude a bilateral peace treaty to end the Korean War, which was suspended with a cease-fire in July 1953.

"What we're waiting for is for the North to decide it's ready for genuine



Presidential candidates at a Manila business forum Wednesday. From left, Mr. Osmena; Mr. Lim; Mr. de Villa; Senator Raul Roco, Senator Juan Ponce Enrile; Santiago Dumlao, a businessman, and Mr. de Venecia.

11 to Contest Philippines Presidency

Manila

MANILA — The Philippines election commission on Wednesday named 11 official candidates, including Imelda Marcos, the former first lady, for what will be the most crowded presidential race in the country's history.

Others approved by the Commission on Elections for the May 11 race included Vice President Joseph Estrada, a former film star who is far ahead in opinion polls, and President Fidel Ramos's preferred successor, the speaker of the House, Jose de Venecia.

The latest major poll, taken in February, showed Mr. Estrada with 28 percent of the vote, despite almost constant attacks on his morals and his

understanding of economic affairs. Mr. de Venecia, who pushed Mr. Ramos's reforms in Congress but who lacks popular appeal, ranked fourth in poll.

Also ahead of Mr. de Venecia, and accredited by the commission as candidates, were the mayor of Manila, Alfredo Lim, and a former governor of Cebu, Emilio Osmena.

The others who qualified were a former defense secretary, Renato de Villa, three senators, a businessman, and a one-time chief censor.

Mrs. Marcos, who is battling to stay out of jail after a court sentenced her to 12 years in jail for graft, is the candidate of the founding New Society's Movement party of her husband, the late dictator Ferdinand Marcos.

When she ran in the 1992 election — the previous largest race with seven candidates — she won 10 percent of the vote, compared with just over 24 percent for President Ramos.

Election commission officials, who deliberated for two weeks on the final list of candidates, disqualified 70 presidential hopefuls as "nuisance candidates."

They included a man who identified himself as "King of Kings" and said he had descended from heaven to save the world, and another who pledged to consult the horoscopes before making any policy should he come to power.

The commission also accredited 8 vice presidential candidates and 40 candidates for 12 Senate seats.



Defense Minister Chen Yong Taek of South Korea, left, and General John Tiller, chief of U.S. troops in South Korea, attending a ceremony in Seoul.

dialogue," the American official said. The United States and South Korea would view the talks as a success if they can get the North to budge on one point — its refusal to negotiate directly with Seoul.

The North Korean leader, Kim Il Sung, had planned to meet with Kim Young Sam but died in 1994, just days before they were to hold a summit meeting. Relations with the South have worsened under the leadership of his son, Kim Jong Il.

Any move by the North to talk directly to the South "would transform the atmosphere," a Western observer said.

Kim Gye Gwan, North Korea's vice foreign minister and leader of the North

Korean delegation, is expected to repeat the North's demands in the opening minutes of the first plenary session of the talks on Monday.

The United States has said North Korea can raise any issue at the talks but would not permit the North to set an "agenda" that excludes other topics. It is in lower-level meetings next week that American and South Korean officials hope to get a sense of whether the North is willing to relax its position slightly.

"We are ready to talk to them any time, but they refuse," said Hanh Chong Hee, a member of the South Korean delegation. "It's totally blocked from a long time ago."

Park Young Ho, a senior research fellow at the Research Institute for National Unification here, a government organization, said, "People usually think that inter-Korean relations might improve as a result of Kim Dae Jung's election." But he said that he was "not very optimistic."

Since he was elected in December, Kim Dae Jung has reassured the North of its right to exist as a separate entity from the South, called for an exchange of envoys and cooperated on various cultural and economic exchanges. His government is offering to send 50,000 tons of grain to the North amid reports of another severe food shortage. It has indicated it will increase trade and investment in the North and may make it no longer a crime for South Koreans to tune in to North Korean radio broadcasts.

But Mr. Kim said Wednesday that his government would not abolish a law making unauthorized contacts with the North a major crime. He said the law could be changed if North Korea made a "corresponding step."

The reaction from the North to the new administration has been "moderate and positive," said Kim Young Min, an official with the Unification Ministry.

South Korean and American negotiators have said that the four-party talks would discuss the "peace mechanism on the Korean Peninsula," including steps for reducing forces, while questions of exchanging envoys, reuniting families separated by the Korean War and economic cooperation should be reserved for any North-South talks.

BRIEFLY

Allies Slow to Back Indian Hindu Party

NEW DELHI — In a delay to his expected appointment as India's prime minister, Atal Bihari Vajpayee, the Hindu nationalist leader, waited for letters Wednesday from allies confirming that they would support a government led by him.

Mr. Vajpayee, a leader of the Bharatiya Janata Party, put off a scheduled meeting with President K. R. Narayanan in which he was to submit proof that he had backing from smaller parties to form a stable coalition government.

There was no immediate explanation for the delay of the letters.

The Bharatiya Janata Party has been bargaining with other parties for a week to try to patch together a majority in the 545-seat lower house of Parliament. National elections failed to give any single party a majority. (AP)

Nuclear Waste Ship Still Fails to Dock

ROKKAISHO, Japan — For the second successive day, a ship carrying 30 tons of nuclear waste sat off this northern Japanese village while a local official refused it permission to dock.

The British-flagged Pacific Swan was scheduled to arrive early Tuesday with waste to be stored in Rokkasho. The spent nuclear fuel from Japanese nuclear power plants was processed in France for disposal there.

The defiant official, Governor Morio Kimura, has demanded assurances from Prime Minister Ryutaro Hashimoto that a permanent storage site will be built elsewhere.

Mr. Kimura forced a one-day delay in the unloading of the first waste shipment in 1995 by demanding that the government clarify its position on finding the permanent site. (AP)

China-Taiwan Bid

TAIPEI — China has invited Taiwan's negotiators to visit, the latest step toward resuming talks between the two sides.

"Our association is willing to invite appropriate-level officials from your foundation to lead an economic, cultural, academic or sports delegation to tour or hold meetings," said a letter Wednesday from China's semi-official Association for Relations Across the Taiwan Strait.

The visit might also facilitate an "exchange of views over procedural issues leading up to political discussions" between the sides, the letter said.

Observers said the letter seemed to show more flexibility over a restoration of contacts, downplaying the demand that Taiwan discuss political issues relating to reunification with China. (AP)

Attack in Thailand

BANGKOK — Marauders from Burma burned a Karen refugee camp inside Thailand early Wednesday, killing 2 people and wounding 33 while leaving nearly 9,000 refugees with no shelter.

The attack razed the 1,613-home Huay Ko Lo refugee camp nearly 6 kilometers (3.7 miles) inside Thailand, aid workers and refugees said. (AP)

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INTERNATIONAL

U.S. May Deport Iraqis Who Worked for CIA

6 Are Declared Threats to National Security

By Tim Weiner
New York Times Service

WASHINGTON — Six Iraqis who apparently worked in concert with the CIA in failed plots against Saddam Hussein have been declared threats to U.S. national security in a court ruling so secret that their lawyers cannot read it.

The ruling, handed down by a federal immigration judge in Los Angeles, means that they may be deported to their homeland, where they would likely face execution, their lawyers said.

The immigration judge, D.D. Sitigra, in a public part of the ruling that was handed down Monday called the six Iraqis imprisoned in California "a danger to the national security of the United States." Her decision was largely based on secret testimony provided by FBI agents.

The six Iraqis say they worked for two CIA-backed resistance groups trying to undermine Mr. Saddam. U.S. government officials did not dispute that on Tuesday. The Iraqis were offered refuge by the United States when two CIA plots against the Iraqi leader collapsed in 1996. Then after arriving in California they were placed in detention centers run by the Immigration and Naturalization Service.

They said last year that they had been falsely accused of being Iraqi spies. They said the accusations flowed from political and personal infighting among the members of the Iraqi resistance. Several protested what they felt was a miscarriage of justice in the making.

"We came to this land legally, on account of the U.S. government, and they put us in a jail," said Ali Yasin Mohammed Karim, who worked with the Iraqi National Congress in northern Iraq. "Where is the law?"

The Iraqis' lawyers said they could not cross-examine the FBI agents who testified against their clients. Their questions called for answers that the Immigration and Naturalization Service asserted were too secret to discuss in open court.

The public section of the ruling said: "The decision of the court is based in main part on the classified information and analysis in the 92-page classified decision."

The Iraqis' lawyers, Neils Frenzen and Daniel Levy, do not have the proper clearance to obtain a copy of the decision. "How do you appeal a decision you can't read?" Mr. Frenzen asked.

Mr. Levy said Tuesday that "we never knew what was in the record, we never knew what the case was about, and we still don't know."

Under the law and the facts of the case, the lawyers said, their clients must be deported to their country of origin — Iraq — unless Attorney General Janet Reno finds another nation willing to take them.

The judge's decision can be appealed within 30 days to an immigration board or a federal appeals court panel. That appeal could take years. The men remain in a detention center in Los Angeles, separated from their wives and families.

John Salter, the Los Angeles district counsel for the Immigration and Naturalization Service, which prosecuted the case, confirmed that the judge had issued the ruling but said he could not comment.

The six Iraqis said in interviews last year that they had worked with two resistance groups, which received tens of millions of dollars from the Central Intelligence Agency and worked to undermine Mr. Saddam. The secret plots collapsed in the summer of 1996, after Mr. Saddam arrested Iraqi officers working secretly for the resistance and sent tanks, troops and secret police to crush a CIA base in northern Iraq.

The six jailed men were among a group of 600 Iraqis who fled to Turkey in August and September 1996. That group, along with 5,500 other Iraqis and Kurds, was evacuated by the United States to the island of Guam. When they went to California, the Iraqis were imprisoned, although their wives and children were allowed to settle.



Students shouting protests at troops Wednesday at the Jakarta gates of the Social and Political Science Institute.

SUHARTO: Indonesian Opens Term With Belt-Tightening Call

Continued from Page 1

too low," said Annas Alamudi, 21, a law student at the University of Indonesia in Jakarta. "Our struggle is until we achieve total reform in this country."

Mr. Suharto, Asia's longest-serving leader, came to power in 1965 following what was described as an aborted communist coup. He set the country on the path to economic reform, and the standard of living improved dramatically. In the meantime, however, his six children, other family members and close associates amassed billions of dollars through the system of patronage that Indonesians have come to revile.

In his inauguration speech Wednesday, Mr. Suharto acknowledged that "some of us may lead an affluent life." "But as a nation we can no longer

afford to lead an extravagant life," he said. "During the present hardship, we need precisely a stronger solidarity, a sense of sharing the same fate and destiny."

Mr. Suharto has been locked in a stand-off with the International Monetary Fund over the terms of its \$43 billion bailout. The Fund said last week that it was delaying the latest \$3 billion payment until April, apparently because of Mr. Suharto's reluctance to carry out the economic reforms he promised.

Several Indonesian officials indicated this week that the government might choose to forgo the bailout if it felt as though it was being unduly pressured to carry out measures it considered unsuitable and potentially destabilizing.

Mr. Suharto hinted at this himself in his inauguration speech, saying, "New

powers are emerging in the international scene, especially in the economic area."

"Nations are developing themselves with a view to attaining progress and prosperity," he said, adding, "On the one hand, we encourage changes that lead to peace, prosperity and progress of all nations. On the other hand, we prevent events that may lead to an unjust and insecure world."

Currency Rating Downgraded

Indonesia's foreign-currency credit rating was cut late Wednesday by Standard & Poor's Corp., which cited mismanagement of the economy, Bloomberg News reported from New York. Indonesia's local-currency rating was also cut, and the country remains on watch for another possible downgrade, S&P said in a statement.

U.S. Senators Push for Aid To Opponents Of Saddam

By Walter Pincus
Washington Post Service

WASHINGTON — A group of Republican senators headed by the Senate majority leader has added a \$38 million package of programs for opponents of Saddam Hussein to the State Department authorization bill, hoping to change the Clinton administration's policy from containment of the Iraqi leader to actively promoting his removal.

Republican sources say that a conference committee report on the State Department funding measure is expected to be taken up later this week in the House. The Iraq package was first reported in The Washington Times.

Many of the steps were first proposed by a group of former national security officials who served in the Reagan and Bush administrations.

But the group's most controversial ideas — giving diplomatic recognition to an Iraqi provisional government and providing it weapons and U.S. military air cover — are not part of the initial proposal by the majority leader, Trent Lott of Mississippi, and the other Republican senators in the group.

"This is only a first step toward the longer-term plan of ousting Saddam Hussein," a Republican source said Tuesday.

The State Department authorization bill has been tied up in Congress over controversial amendments since last session. A Republican source said the Iraq proposals could get attached to another piece of legislation as well. He called the State Department authorization "the first train at the station, and if it fails, the package will be added to the next one that comes along."

Included in the Iraq package are:

- \$20 million in humanitarian aid for those areas in northern and southern Iraq where the Baghdad regime does not exercise control. The aid would go to areas in the north where Kurdish groups at one time received \$40 million that was distributed by the Agency for International Development and the Pentagon, and to areas in the south, where Iran has in the past provided support.

- \$10 million in political support to the democratic opposition to Mr. Saddam. Some of it would be used to revive cooperation agreements among disparate opposition groups. Another portion would go for leadership training of these groups.

- \$5 million to be used to establish a Radio Free Iraq that would broadcast in Arabic from a U.S. government-owned facility in Kuwait.

- \$3 million to fund an effort to get the United Nations to approve an international criminal tribunal for "indicting, prosecuting and punishing Saddam Hussein and other Iraqi officials responsible for crimes against humanity."

Noting that bringing the Iraqi leader to justice for war crimes has been a stated goal of the Clinton administration since 1993, the proponents see the legislation as pushing the State Department into trying to persuade the UN Security Council to approve such a tribunal.

UN: Clinton Tells Annan U.S. Will Consult With Security Council Before Attacking Iraq

Continued from Page 1

nity." Mr. Annan did not repeat the wording he had used on a television program Sunday, when he said that "some sort of consultations with the other members would be required" before a U.S. attack.

The agreement Mr. Annan signed Feb. 23 in Baghdad called for Iraq to open all sites, including eight sensitive "presidential" sites, to weapons inspectors, meeting a fundamental U.S. demand. It also, however, modified the surveillance teams in ways some American critics say are unacceptable.

The agreement Mr. Annan hammered out with President Saddam Hussein in Baghdad averted what appeared to be an imminent U.S. attack, as American anger grew after months of Iraqi refusals to allow UN arms inspectors full access to suspected weapons sites.

Mr. Clinton has cautiously endorsed the agreement, saying it requires "testing" by UN arms inspectors. "If the agreement is complied with," he said Wednesday, "then we will be able to do what the United States has always wanted — to complete the inspection process."

The accord was lauded in many world capitals, but has drawn sharp criticism from some leading conservatives in the U.S. Congress. Some saw it as a snub when the Senate majority leader, Trent Lott, Republican of Mississippi, declined earlier to meet with Mr. Annan, citing scheduling difficulties.

JFK: Camelot for Sale at Auction (Again)

Continued from Page 1

liner United States, is to hold the sale on March 18 and 19.

Mr. Etinger said he hoped the sale would bring at least \$5 million. Since the frenzied bidding at the Jacqueline Kennedy Onassis sale — 1,200 lots sold for a staggering \$34.4 million — Kennedy artifacts have attained unheard-of values.

Roughly half the lots are culled from the vast collection of Robert White, an affable 49-year-old former industrial cleaning supplies salesman and champion Kennedy idolater. Public previews of the items start Friday at the New York Historical Society.

Already, the auction possesses all the obligatory ingredients that accompany almost anything involving the Kennedys — grand dreams, intrigue and incessant behind-the-scenes quarreling. History is rarely tidy, and neither is this auction. A nagging subtext has been a fight between the Kennedy children and Mr. White. Almost from the instant the event was announced in December, there have been questions about provenance and propriety, about a lengthy love letter never even inserted in the sale.

Mr. White depicts himself as "just an ordinary guy" who happens to possess 100,000 items of Kennedy memorabilia, several hundred of which he describes as "great items," tracing back to Mr. Kennedy's baby christening ring. He carries his own money in President Kennedy's money clip, and, believe it or not, is married to a woman named Jackie.

But he now finds himself castigated by some who accuse him of profiteering from objects he vowed never to sell. He and his benefactor have come under suspicion about the way they got all this. Worst of all, from his standpoint, he has

Conservatives were angered by what they saw as Mr. Annan's caving in to Iraqi sensitivities, and were especially incensed by his descriptions of Mr. Saddam as a "well-informed" and "very, very calm" man.

This treatment, coupled with the legitimacy they believe was conferred by Mr. Annan's visit to Baghdad to negotiate the agreement, can only embolden the Iraqis in ways that will lead to more trouble down the road, the conservatives say.

Mr. Annan is visiting the capitals of all permanent Security Council members to discuss the Iraq accord.

Mr. Clinton and Mr. Annan said nothing during the brief photo session about another major topic on their agenda: the approximately \$1.5 billion in back dues owed by the United States to the United Nations.

Mr. Annan was expected to press Mr. Clinton for payment of the debt and urge the president to press Congress more aggressively to approve the payment.

The secretary-general, a Ghanaian who took office 15 months ago vowing to promote a streamlining of the UN's bureaucracy, told reporters on his plane from New York that he expected Congress to make good on an agreement reached last year to make back payments in exchange for those reforms. Reuters reported.

"We have delivered, and I want to know when they will deliver," he said. The U.S. debt for regular UN dues and peacekeeping expenses was \$1.3 billion at the end of last year, and is now put at

about \$1.5 billion, headed to \$1.7 billion by year's end.

But the dues question also appears tightly bound to a resolution of the Iraqi crisis. If Baghdad violates the agreement, support in Congress for paying the U.S. debt would likely suffer.

And the prospects for congressional support of back payments were damaged Wednesday when House Republicans said that they would again tie anti-abortion provisions to any legislation on UN

funding. Such language last year killed a deal that had been carefully negotiated over several months between the administration, the UN and congressional leaders, including Jesse Helms, Republican of North Carolina, the chairman of the Senate Foreign Relations Committee.

Mr. Annan was to meet here with Mr. Helms and with the senior Democrat on the committee, Senator Joseph Biden of Delaware.

KOSOVO: After Threats, Red Cross Leaves

Continued from Page 1

Yugoslav president, Slobodan Milosevic, that he had 10 days to comply with a series of demands, including the withdrawal of his paramilitary forces in the region and the opening of an unconditional dialogue with the ethnic Albanian leadership.

Since the assault began, thousands of ethnic Albanians, who make up 90 percent of the province's 2 million people, have fled their homes.

Several small villages in central Kosovo, like Lausa, remain ringed by police, with those inside not daring to leave their homes. All phone lines and electricity to these villages have been cut. There are continuing reports of shooting in several of these areas.

The withdrawal of the Red Cross came as about 300 ethnic Albanians walked for hours early Wednesday morning to the town of Prekaz, where the heaviest fighting took place in an attack mounted last Thursday.

The men used picks and shovels to dig up the bodies of 53 victims, most of whom died in the town and who were hastily buried on a hillside Tuesday night by Serbian policemen.

The farmers, their pants and shoes covered with mud, cupped their hands in front of their lips every few minutes to ward off a bitter wind that whipped across the hillside. When they reached the wooden coffin lids they lifted the boxes, including 14 small ones for children, from the graves.

In an effort to identify 18 bodies that remain unclaimed, the men pried open coffins that lacked small pieces of paper nailed on the lids with the names of those inside.

All the bodies were reburied facing toward Mecca in accordance with Islamic religious practices.

Only one of the unidentified bodies

was recognized by the crowd by the afternoon.

"The refusal to allow us the right to properly identify and mourn our dead is a sacrilege," said Mehmet Qallaku, the head of the burial committee.

"We have asked only to give our neighbors a dignified religious burial and to determine how they died. Is this too large a demand? What kind of a relationship do the Serbs expect from us when they treat us like this?"

Most of the victims were killed in the village when security forces surrounded it last Thursday.

Prekaz, the home of Adem Jashari, the rebel leader who was killed in the attack, was a stronghold of the outlawed Kosovo Liberation Army, which is fighting for a separate state. The rebels fired back at the police from some homes in the village.

The nighttime burial, carried out against the wishes of the families of the victims, appeared to be an effort by the Serbs to thwart efforts to send international forensic experts and to block a huge gathering of embittered mourners.

A funeral for 24 people killed in the sweep last week drew 30,000 mourners.

Most people trying to enter Prekaz, including nearly all family members, were turned back at police checkpoints on Wednesday.

Prekaz is desolate, with over half the mud and wattle homes now little more than black ruins.

Policemen, many wearing hoods to avoid identification, watched the mourners from a distance. An armored personnel carrier was parked 100 meters from the field where the men hacked away at the dark, brown earth that covered the coffins.

On the wall of one of the houses were the Serbian words "For All Albanians Death."

Polls Show Government May Survive In Denmark

COPENHAGEN — Denmark's center-left government seemed headed for a surprise victory in a general election on Wednesday, with an early projection confirming the findings of an exit poll.

An official projection based on 124 percent of votes counted pointed to 40 seats for Prime Minister Poul Nyrup's coalition of Social Democrats and six other leftist parties.

The opposition center-right bloc would get 85 seats.

A Gallup exit poll of some 3,000 voters, issued after voting had ended at 8 P.M., also indicated that the center-left coalition was heading for a new four-year term.

Whoever wins, Denmark's next government must prepare for a referendum in May on enlarging the European Union, and EU leaders will be watching anxiously to see who will be in power to handle that vote.

But the campaign centered more on domestic than foreign issues, with rightist and center-right parties seeking to capitalize on a sense among some Danes that the country's non-European foreigners — forming less than 4 percent of the population, are increasingly becoming a burden on Denmark's welfare state.

The exit poll gave the Rasmussen camp 89 seats in Parliament as against 86 seats for the center-right.

The projections and the exit poll run contrary to a steady trend in recent opinion polls, which had indicated a slim majority for the Liberal-Conservative center-right bloc led by former Foreign Minister Uffe Ellemann-Jensen. Exit polls usually prove correct, but it is still a very close race, the political science professor Lars Bille said on Danish TV.

But the election may yet be so close that voters in the Faroe Islands and Greenland, which each send two members to the Parliament, will decide the outcome. Results from Greenland are not due until early Thursday.

Neither the exit poll nor the projections included these four parliamentary seats. Analysts said they expected two of these legislators to side with the center-right, while one or two would back the center-left.

Mr. Rasmussen said earlier as he voted that the final result might not be known until all votes had been counted. "We will probably have to wait for a photo finish," he said.

The preliminary results indicated that Danes had kept to the habit of dividing their ballots among up to 10 parties. This has made minority coalitions relying on fringe groups the norm.

The new Parliament is due to convene on March 25.

Financial markets expect a new cabinet to tighten fiscal policy to rein in an economy showing signs of overheating and to combat a looming current account deficit, which would have to be financed by foreign borrowing.

PILOTS: Facing Punishment

Continued from Page 1

mander, the U.S. Army general Wesley Clark, senior American military officials have made clear their preference for keeping the matter in U.S. hands.

In such a case, the decision on whether to court-martial any of the crew members or apply some other punitive measure would fall to Lieutenant General Peter Pace, who commands Marine forces in the Atlantic. Marine officials said General Pace would most likely order a review of the case to determine if the men should face a criminal proceeding and, if so, on what charges.

Italy Pursues Its Own Inquiry

The Prowler's four-man crew, on temporary assignment at Aviano from the Marine Air Station at Cherry Point, North Carolina, is also the target of a civilian investigation by Italian authorities, The Associated Press reported.

The crew members, who have been grounded since the accident, could face serious charges if investigators say they were negligent.

Their Italian lawyer suggested earlier that the plane's altimeter might have malfunctioned, but subsequent tests reportedly showed that it was working.

The accident stirred strong anti-American feelings in Italy, especially when the Aviano base was less than forthcoming at the outset with Italian investigators.

CARS: In South Korea, Abuse for Foreign-Auto Owners Revs Up

Continued from Page 1

damage to the car, he said.

The plea for tolerance came, somewhat paradoxically, even as Samsung Motors, the country's newest car maker, said it was close to a partnership deal with Ford Motor Co. of the United States. Samsung said its chief executive officer was flying to Detroit for "serious talks" with Ford officials aimed at persuading Ford to invest in the company.

Samsung Motors, which introduced its first cars to the Korean market last week, said its chief executive officer, Lee Dae Won, would meet Wayne Booker, Ford's vice chairman, "to work out details of a strategic partnership" that might include anything from production of Ford's World Car through Samsung to joint production and distribution of automobile parts.

The contrasting images of rejection of foreign products and eagerness for foreign investment reflected two sides of Korea's struggle to extricate itself from economic turmoil that shows no real sign of abating in the coming months.

The anti-import drive mingles elements of patriotism and nationalism, as did the campaign to collect gold jewelry for foreign exchange, while providing a glimpse into the isolationism of this historically closed society.

Fearful that such sentiment might grow much worse as unemployment rises to more than 1 million in a work force of 21.7 million, the car dealers appealed to Koreans to stop blaming them for their troubles.

"The hostile sentiment comes from a misconception of the situation," said Mr. Yoon. "Foreign cars are not damaging but contribute to the economy

through investment and employment."

Nor did Mr. Yoon see any possibility that foreign cars would penetrate more deeply into the market. With foreigners now buying 80 percent of the foreign cars on the market here, he did not "really expect to maintain or even boost our market share in the middle of an overall economic recession."

The recession has forced Korea's "big three" manufacturers, Hyundai, Daewoo and Kia, to slow down or suspend production lines. Domestic sales last month fell below 100,000, down from 188,790 in February 1997, said the Korean Automobile Manufacturers Association. Overall car sales this year are expected to be well below the 1997 figure of 2,818,000.

Foreign car dealers suggested that Koreans adopt a long-range approach toward the competition from abroad.

INTERNATIONAL

Killings Spark Unrest in West Bank

A Fatah Chapter Calls for 'Clashes' With Settlers and Security Forces

By Joel Greenberg
New York Times Service

DURA, West Bank — As three Palestinian laborers killed by Israeli soldiers were given a martyrs' burial here and violent protests spread in the West Bank, Israeli Army officers struggled on Wednesday to prevent the gathering from spinning out of control.

The killings at an army checkpoint on Tuesday seem to have ignited long simmering anger among Palestinians over a months-long deadlock in peace efforts. Stone-throwing clashes spread from Hebron to the laborers' village of Dura, as well as to the cities of Bethlehem and Ramallah.

In Hebron, soldiers fired rubber-coated metal bullets at rioters who hurled rocks, bottles and firebombs, and 16 Palestinians were wounded, two seriously. An additional 10 were reportedly wounded in Ramallah, one by a Jewish settler who opened fire when his car was pelted with stones.

Israeli Army officers held urgent meetings with their counterparts in the Palestinian police in an effort to put a lid on the violence, but mounting frustra-

tion among ordinary Palestinians, including followers of Yasser Arafat, the Palestinian leader, seemed to be reaching the boiling point.

Mr. Arafat has limited himself to condemning the killings as "a big crime" and has made no public calls for protest. But the Hebron chapter of his movement, Fatah, published its own leaflet Wednesday calling for "clashes with the gangs of settlers and with all means" on Thursday. The statement accused Prime Minister Benjamin Netanyahu of Israel of "blowing up" peace efforts, and labeled him "a malicious racist."

Marwan Barghout, the head of Fatah in the West Bank and a member of the Palestinian legislative council, said that the latest killings had aggravated growing despair during months of stalemate in peace efforts.

"There is deep disappointment in the hearts of the Palestinians," he said in an interview on Israeli Army radio.

"I expect that something will happen," he said. "I don't know if it will be this week or tomorrow morning, but if the peace process continues at a dead-

end, if it deteriorates and there is no process, then certainly if there's no peace, there's violence."

Similar warnings were in evidence at the funeral of the three laborers, whose bodies were brought back to their village in a cortege led by Palestinian police jeeps flying Palestinian and black flags.

In Nablus, Palestinian policemen suspended joint patrols with Israeli troops for four days, and said they would also stop coordinating with Israel to allow the entrance of Jewish students who attend a seminary in Nablus. Israeli authorities evacuated the students, Israeli Army radio said.

The Israeli leader called Mr. Arafat on Tuesday evening to express his condolences.

The shooting occurred Tuesday evening at an army roadblock when a van carrying Palestinian workers returning from jobs in Israel tried to bypass a line of cars waiting at the roadblock.

The army said soldiers opened fire after the van struck and injured one of the soldiers. A Palestinian passenger said troops began shooting after the van sped up to prevent another car from cutting in front of the vehicle.

Algiers Forces Said to Kill 146 Militants

The Associated Press

ALGIERS — Security forces sweeping through a western region wracked by recent massacres have killed 146 Muslim militants in recent days, a newspaper reported Wednesday.

Among the 24 people killed in the latest clash overnight Sunday were two leaders of a local band of the Armed Islamic Group, Kaddour Taoui and his son Hachemi, an independent daily newspaper, La Tribune, reported.

The newspaper, quoting unidentified

sources, said troops in the area of Sidi Bel Abbas, 440 kilometers (260 miles) west of Algiers, had killed "146 terrorists," referring to the Islamic militants who have been fighting a 6-year-old insurgency.

The authorities did not confirm the operation, though there have been reports of new massacres of civilians in the region.

Hundreds of people were killed there in January.

Meanwhile, a top leader of the Is-

lamic Salvation Front being held in the United States was among 17 people convicted in absentia Tuesday and sentenced to death, a judicial source said Wednesday.

Anwar Haddam, head of the group's parliamentary delegation, has lived in the United States since 1993. He was taken into custody in December 1996 after his visa expired, and has been fighting deportation.

Five other sentences — three for 12 years in prison and two for five years — were handed down to militants who were convicted Tuesday.

Four others were acquitted, the source said.

Defense lawyers have accused state prosecutors of relying solely on police accounts for evidence.

The five suspects were among 26 members of the Islamic Front for the Armed Jihad who have been tried for attacks on an Algerian politician, a union leader, artists and intellectuals.

More than 75,000 people have died in the insurgency that flared up after the military-backed government canceled parliamentary elections the Front was expected to win.

The party had promised to fight corruption and high unemployment.

Dutch Speakers Build a Database Dike

The Associated Press

AMSTERDAM — Linguists in the Low Countries, alarmed at the steady encroachment of English, are launching a quiet revolution to dish out more Dutch.

Following in the footsteps of the fiercely protective French, who for years have crusaded to preserve the language of Moliere, linguists from the Netherlands and Belgium will begin compiling a 10-million-word electronic database of spoken Dutch.

Organizers say the project, set to get under way in July, is aimed at preserving the language in the workplace and the European Union.

The database, which is expected to be completed within five years, will be used to develop voice-activated machinery, such as computers and dictation devices, that can respond to oral commands given in Dutch.

Unless Dutch machines are manufactured, English machines will become standard in the workplace.

BRIEFLY



Deputies in the lower house of Congress displaying photos Wednesday of "disappeared" Chileans as General Pinochet became a senator.

Pinochet Takes Seat

VALPARAISO, Chile — General Augusto Pinochet assumed the Senate seat Wednesday that he is entitled to hold for life, despite protests just outside Congress and displays by his colleagues inside of photos of dissidents killed during his 17-year dictatorship.

The army commander, who retired Tuesday, appeared unmoved, his arms crossed and occasionally smiling, as lawmakers from the governing coalition walked the Senate floor carrying the black-and-white photographs.

Policemen used water cannons and tear gas to scatter hundreds of protesters outside the Congress building in this port city near Santiago. (AP)

Hanoi Trade Waiver

WASHINGTON — President Bill Clinton signed a waiver Wednesday exempting Vietnam from legislation that restricts trade with Communist-ruled countries.

Acting on recommendations from Pete Peterson, the U.S. ambassador to Vietnam and others, Mr. Clinton asked Congress to exempt Hanoi from the Jackson-Vanik Amendment, which prevents normalized economic relations with a Communist country unless it permits free emigration.

The waiver will enable U.S. companies to qualify for a series of federal programs, including govern-

ment-backed financing from the U.S. Export-Import Bank, for their Vietnam projects. (AP, Reuters)

UNITA Is Legalized

LUANDA, Angola — The Angolan government turned the former rebel UNITA movement into a full-fledged political party Wednesday, lifting all bans on its activities.

The Government of Unity and National Reconciliation declared that "all obstacles banning UNITA activities have been lifted" and that the movement "may exercise its activities across the whole of the territory."

The National Union for the Total Independence of Angola, known as UNITA, said Friday that it had demobilized its surplus military forces in June with a 1994 peace accord. (AFP)

Saudi Denies Report

DUBAI, United Arab Emirates — An unidentified Saudi royal court official denied reports that King Fahd underwent surgery for a gall bladder infection, the official Saudi Press Agency reported Wednesday.

The official called Fahd's condition "reassuring" and said the king did not require surgery, the agency said.

Officials at the King Faisal Specialist Hospital in Riyadh had said the king underwent emergency gall bladder surgery there Monday. (AP)

Iran Ordered To Pay Family Of U.S. Victim Of Terrorism

The Associated Press

WASHINGTON — A federal judge ordered Iran on Wednesday to pay \$247.5 million in damages to the family of an American woman who was killed in a suicide bombing in Gaza in 1995.

"The court is seeking to deter further terrorist actions by its action today," said Judge Royce Lamberth of U.S. District Court.

The victim, Alisa Flatow, a 20-year-old student from West Orange, New Jersey, was attending a Jerusalem seminary when she was killed along with seven Israeli soldiers on April 9, 1995. A suicide bomber drove a van into their bus in Gaza and blew it up.

The ruling is believed to be the first time U.S. citizens have been awarded punitive damages against a foreign nation accused of sponsoring terrorism. The decision leaves unanswered how much the Flatow family ultimately will receive.

The United States froze Iranian assets, valued at \$12 billion in 1979, after the overthrow of Shah Mohammed Reza Pahlavi and the taking of U.S. hostages.

A new law allows Americans to file suit in U.S. courts against another government's officials for damages from terrorism.

Stephen Perles, a lawyer representing Stephen Flatow, Alisa's father, said the money could either come from the frozen funds or from Iranian assets in other nations that recognize the jurisdiction of U.S. courts.

During a hearing early this month, lawyers for the Flatows argued that Islamic Jihad, the group blamed for the attack, was financed by the Iranian government. That, they said, makes Tehran responsible for her death.

In Jerusalem, David Bar-Ilan, a senior aide to Prime Minister Benjamin Netanyahu, described the ruling as "a very, very important precedent that places the responsibility on terror-sponsoring nations for the actions carried out by their proxies."

"Terrorist acts against American citizens will cause some pain back in the country that sponsors that kind of terrorism," Senator Frank Lautenberg, Democrat of New Jersey, said Wednesday.

Similar lawsuits are pending against the Libyan government, its intelligence agency and two of its intelligence officers as a result of the 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland.

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EDITORIALS/OPINION

Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Yes, Enlarge NATO

Full-scale hearings on NATO enlargement produced a U.S. Senate Foreign Relations Committee vote on March 3 of 16 in favor of admitting Poland, Hungary and the Czech Republic, and two opposed. Support is bipartisan and spans most of the political spectrum. Some of those on the short side wish to delay a final vote for further study — of an issue that has been under scrutiny for more than five years. More reasonably, others wish a focused one-day debate prior to consideration of ratification.

The core issue remains what it has always been. Should America push its security frontier into the formerly Moscow-ruled territories liberated by the end of the Cold War? We share the pro-enlargement view that it is a fitting, prudent and desirable exercise of U.S. power to shelter the new democracies in an arc whose instability has repeatedly meant chaos, repression and war.

The contrary, anti-enlargement view is that such a reach would commit the United States to boundless new troubles and overwhelm Russia's pursuit of democracy, to boot.

The skeptics rightly set demanding standards for American assumption of a major new international responsibility. But supporters wield a powerful strategic case. To the common benefit, enlargement serves the stability of the region lying between an unpredictable Russia and the doughty but exposed new democracies of Central Europe. Enlargement has a further unique advantage: It keeps faith with people and values that Americans deeply prize. To ask countries emerging from decades of enforced subordination to Moscow

to continue resting their international orientation on the unwanted wishes of Moscow is to us unthinkable.

The new Russia is not the old Soviet Union. But it is not yet the new Russia of its own high aspirations, either. Already, NATO, to accommodate Russia, has made structural changes so far-reaching and so favorable to Moscow as to stir serious apprehensions of "dilution" of the alliance. Russian officials pocket these gains and ask for more. Attentiveness to Russian political priorities is all very well, but there is a point at which the soliciting — Russian or American — of deference to a Russian "psychological factor" verges on the frivolous.

The Senate action may center on amendments. John Warner would mandate a three-year pause after the first three new members are taken in — a shackle on executive flexibility. Daniel Patrick Moynihan would link a candidate's NATO membership to its prior accession to the European Union — a proposal that Europe has already in effect rejected by its accession stall. John Ashcroft would restrict NATO's geopolitical reach — a matter properly given to alliance consultation. Ted Stevens would reduce the American share of alliance costs.

Getting the Europeans to ante up is fair enough, but other proposed amendments have grave defects. The test is whether an amendment allows the United States and its allies — the secure democracies — to shelter the insecure democracies in a Europe with the best chance it has ever had to become whole, prosperous and free.

—THE WASHINGTON POST.

Choice for Puerto Rico

In a historic move, the U.S. House of Representatives narrowly passed a bill last week to give 3.8 million Puerto Ricans the right to vote on whether the island should retain its current commonwealth status, seek statehood or become independent.

The United States-Puerto Rico Political Status Act, sponsored by Representative Don Young of Alaska, requires that a vote be held on the three options by the end of this year. If either statehood or independence receives a majority, the president and Congress would be asked to develop a transition plan, and give final approval to a status change within 10 years. If none of the options receive a majority vote, the current status would be unchanged, and another referendum would be held within 10 years.

Both the Republican and the Democratic platforms have long supported Puerto Rican self-determination. Yet Congress has repeatedly failed to give islanders a say on their political status. With House passage of the bill, its future now depends on Trent Lott, the Senate majority leader, who has been unenthusiastic about the issue. The Senate would disavow democratic values by shelving this bill.

Puerto Rico was acquired by the

United States 100 years ago as spoils from the Spanish-American War. Its residents are American citizens who have been subject to the draft and federal laws. But they do not pay federal income taxes, do not elect members of Congress and cannot vote for president. This diminished status does have support among islanders who worry that statehood would jeopardize the island's distinctive heritage.

But language issues and other important questions can be addressed when Puerto Ricans debate their choices. The proposed bill would allow them to decide their future with the assurance that Congress would not ignore the result.

In a 1993 nonbinding plebiscite, 48 percent of Puerto Ricans voted for commonwealth status, 46 percent for statehood and 4 percent for independence. A majority may still prefer commonwealth status, and even if islanders vote for statehood or independence, Congress would be able to manage the transition.

In any case, the Senate would be wrong to prevent political self-determination for American citizens when it supports that right for people elsewhere in the world.

—THE NEW YORK TIMES.

Other Comment

Israel's 'Bargaining Chips'

The [Israeli] Supreme Court has again ventured down a slippery slope in the area of human rights. Through the court's repeated backing, administrative detention has become a routine phenomenon, and as a result hundreds of Palestinians are being held in prolonged captivity without trial, under pretext that they pose a threat to local security. Now the Supreme Court has put its stamp of approval on a new device.

In a ruling handed down four months ago and partially made public last week, it has authorized the continued detention of Lebanese citizens who have been imprisoned for many years, simply because they can be "bargaining chips" in an effort to locate and release [Israeli] soldiers who are captive or missing in action.

One disgrace leads to another. The ground has now been cleared for the unlimited detention of foreign nationals even when the state acknowledges that they do not represent a security threat.

In its fight against organizations that oppose the occupation of Lebanon, Israel has thus adopted its enemies' methods: kidnapping hostages and keeping their identity secret. When it comes to Arabs, Israel is an avid jailer.

The prolonged occupation of the territories has already corrupted Israel's

moral character beyond recognition. The occupation of South Lebanon has corrupted it even more.

—Gideon Levy, commenting in Ha'aretz (Tel Aviv).

Last November, in a decision that has become known only in recent days, a panel of the Israeli Supreme Court ruled that the detention of the Lebanese is permissible. However "grave and painful" a violation of human rights they are suffering, said the justices in a 2-1 decision, their captivity is justified by Israel's security needs and its continuing efforts to win the return of Israeli servicemen missing in Lebanon. In short, the justices sanctioned the seizing of Lebanese to be used as bargaining chips.

This is as wrongheaded and immoral a decision as any high court in a democratic country is likely to make. It approves state hostage-taking for political ends. It implicitly allows indefinite detention without charges. The rationale is protection of national security. But of course that is the rationale used in Iraq or Syria or Iran to ignore human rights and assert the primacy of the state over the rights of the individual. In the name of security against terrorism, Israel has co-opted the tactics of the terrorists.

—Los Angeles Times.

Does the Security Council Need a Demonstration?

By Max Jakobson

HELSINKI — As the search for forbidden weapons resumes in Iraq, there is time before the inevitable next crisis to focus attention on the larger issue of what can be done to prevent the spread of instruments of mass destruction. Saddam Hussein is not the only dictator who should be stopped.

The idea of using air strikes originated in the White House well before the present occupant was born. It was in May 1942, at a dinner given by President Franklin D. Roosevelt in honor of Vyacheslav Molotov, foreign minister of the Soviet Union.

Roosevelt told his guest that he thought "the United States, Russia, England and possibly China should police the world and enforce disarmament by inspection after the war."

He went on to point out that as small nations were incapable of defending themselves against powerful aggressors, "they might just as well remain unarmed after the war." If any of them were to try to violate the prohibition against armaments, "the police in power could then threaten to quarantine the offending state, and if that did not work, to bomb some part of it."

Two days later, Molotov was able to tell the president that Stalin fully approved the proposal.

That was how the United Nations security system was born.

Roosevelt's Four Policemen, later joined by France as the fifth, put themselves in charge of international peace and security, empowered to order economic sanctions or "take such action by air, sea or land forces as be necessary to maintain or restore international peace and security."

The idea of disarming the small states was of course abandoned. "The eagles must let the smaller birds sing," Winston Churchill advised his colleagues, adding that the eagles need not take much notice of what the smaller birds might be singing. But only the Five Policemen were licensed to carry nuclear weapons. Later, biological and chemical weapons were banned.

During the Cold War, the ban on nuclear weapons was enforced once by the method recommended by Roosevelt in 1942. It was done by the Israeli air force, which in 1980 destroyed a French-built nuclear reactor in Iraq. Biological or chemical weapons are more elusive targets.

The Iraqi invasion of Kuwait finally roused the Five Policemen to take action. It was a rare moment in history. The five powers, each for its own reasons, found it in their interest to support, or at least not oppose, military action by the United States and its allies for the purpose of freeing Kuwait.

The Soviet Union under Mikhail Gorbachev joined in, to prove its credentials as a member of the world community. The Chinese leaders abstained from using their veto, so as not to exacerbate the diplomatic boycott they had been subjected to since the Tiananmen massacre in 1989. The British acted in the spirit of their special relationship with the United States. The French made their usual detour before lining up with the West.

Today the configuration of interests is different. In Western countries, politicians have no stomach for military action that could cause significant casualties in their own ranks or "collateral damage" on the other side. Russia and China, never squeamish about use of force in their own interest, assert their independence by opposing military action by the "sole superpower."

The United States this is like a magnet that both attracts and repulses. The other four governments determine their positions less on the merits of the case under discussion than by the state of their relations with the United States.

The role of the UN Security Council, too, varies within the context of the shifting relations among the five permanent members. It serves sometimes as a scapegoat when things go wrong, or provides an alibi for inaction. Its resolutions are often as obscure and ambiguous as were the famous pronouncements of the Delphic oracle.

The exact meaning of the recent Security Council resolution on arms in-

spection in Iraq will not be known until the next crisis, at which time relations among the five powers may or may not be different from what they are now.

What is clear is that only the Security Council can confer legitimate moral authority upon any military action, and that the secretary-general serve as a credible negotiator on behalf of the Council only so long as permanent members recognize its integrity as representative of world nations in international relations.

Will the Five Policemen at the Council recognize the value of the Security Council as a tool for constructive action instead of using it as an arena for battle among national egos? The record does not support optimism.

The governments of the major powers have been reactive, not proactive. Bosnia is a case in point. A mass mobilization of Sarajevo was needed to mobilize an international force of putting an end to the war.

Do we now need a real-life demonstration of the horrifying effects of biological or chemical weapons to vanquish the Security Council's effective action?

The writer, a former Finnish ambassador to the United Nations, contributed this comment to the *International Herald Tribune*.

Halabja, 10 Years On: Still Poisoned in Body and Spirit

By Christine Goeden

LIVERPOOL — On March

16, 1988, an Iraqi military strike subjected Halabja, a Kurdish town of 45,000 in northern Iraq, to bombardment with the greatest attack of chemical weapons ever used against a civilian population.

The chemical agents used were a "cocktail" of mustard gas (which affects skin, eyes and the membranes of the nose, throat and lungs), and the nerve agents sarin, tabun and VX.

The chemicals drenched the people's skin and clothes, affected their respiratory tracts and eyes and contaminated their water and food.

Many people simply fell dead where they were, immediate casualties of the attack. Estimates put these deaths at about 5,000.

A few were given brief and immediate treatment, which involved taking them to the United States, Europe or Iran. The majority of them returned to Halabja.

Since then, no medical team, either from Iraq, Europe or America, or from any international agency, has monitored either the short- or long-term consequences of this chemical attack.

Gwynne Roberts, a film director, made the award-winning film "The Winds of Death" about the attack in 1988. I saw this film, and it had a tremendous effect on me.

Gwynne revisited Halabja

last year, and was concerned that many of the survivors seemed very ill. He could not understand why no one had tried to find out what was happening to them. He convinced me that this was something I had to do.

Why would a female professor of medical genetics want to make a trip like this? I went to learn and to help. This was the first time that a terrible mixture of chemical weapons had been used against a large civilian population. I wanted to see the nature and scale of the problems these people faced, and was concerned that in the 10 years since the attack no one, including the major aid agencies, had

The people of Halabja need immediate help.

visited Halabja to determine exactly what the effects of these weapons had been.

I was worried about possible effects on congenital malformations, fertility and cancers, not just in women and children but in the whole population. I also feared that there might be other major long-term effects, such as blindness and neurological damage, for which there is no known treatment.

What I found was far worse

than anything I had suspected. These chemicals seriously affected people's eyes and respiratory and neurological systems. Many became blind. Skin disorders which involve severe scarring are frequent, and many progress to skin cancer.

Working in conjunction with the doctors in the area, I compared the frequency of conditions such as infertility, congenital malformations and cancers (including skin, head, neck, respiratory system, gastrointestinal tract, breast and childhood cancers) in those who were in Halabja at the time with an unexposed population from a city in the same region.

We found that the frequencies in Halabja are at least three to four times greater, even 10 years after the attack.

An increasing number of children are dying each year of leukemias and lymphomas. The cancers tend to occur in much younger people in Halabja than elsewhere, and many people have aggressive tumors, so that mortality rates are high. No chemotherapy or radiotherapy is available in this region.

I found that there was also a total lack of access to pediatric surgery to repair the major heart defects, hare lip and cleft palate or other major malformations in the children. This meant that children in Halabja are dying of heart failure when children with

the same heart defects could have had surgery and would probably have survived in Britain or the United States.

It was agonizing for me to see beautiful children whose faces were disfigured by hare lip and cleft palate, when I know that skilled and gifted surgeons correct these defects every day in North America and Europe.

The neuropsychiatric consequences are seen as human tragedy on every street, in almost every house and every ward of the hospital. People weep and are in great distress because of their severe depression, and suicidal tendencies are alarmingly evident. The surgeons often have to remove bullets from people who have failed in their suicide attempts.

Many people have neurological impairment or long-term neuromuscular effects. Most people cannot afford even the cheapest treatment or drugs, and so are reluctant to come to the hospital. At present, even for those with life-threatening conditions, there is no effective therapy for any of these conditions in Halabja.

The findings of serious congenital malformations with genetic causes occurring in children born years after the chemical attack suggest that the effects from these chemical warfare agents are transmitted to succeeding generations. Miscarriage, infant deaths and infertility mean that life is not being replenished in this community.

The people hoped that after the attack they could rebuild their families and communities that had been destroyed. The inability to do so has led to increasing despair. Their lives and hopes have been shattered.

One survivor described being in a cellar with about a hundred other people, all of whom died during the attack. Not only do those who survived have to cope with memories of their relatives suddenly dying in their arms, they have to try to come to terms with their own painful diseases and those of their surviving friends and relatives.

For instance, many people have more than one major condition, including respiratory problems, eye conditions, neurological disorders, skin problems, cancers and children with congenital malformations and childhood handicaps such as mental handicap, cerebral palsy and Down's syndrome.

Ten years after the attack, people are suffering a wide spectrum of effects, all of which

are attributable to long-term damage to DNA.

A radio broadcast was made the day before our arrival to tell people who were ill to come to the hospital to record their problems. On the first day, 700 people came; 495 of them had two or more major problems. The cases we encountered were extremely sad.

The people of Halabja need immediate help. There is a need for specialists (such as pediatric surgeons), equipment and drugs. Even more basic is the need for heat, clean water and careful efforts to safeguard them against further attacks.

We have to realize that this is very little medical or scientific knowledge about how to treat the victims of a chemical weapons attack like this effectively. We need to listen, think and evaluate with skill, since many of these people have had exposures to strange combinations of toxic gases. They have conditions that have not been seen or reported before.

We have virtually no knowledge about how to treat the problems resulting from these terrible weapons, which have been used to more inhumane effect than ever before.

The pictures beamed around the world after the attack in 1988 in newspapers and on television were horrifying. One picture was of a father who died trying to shield his twin sons from the attack.

The statue in the road at the entrance to Halabja is based on that picture. This is not a traditional statue of someone standing proud and erect, captured in stone or bronze to represent man triumphant and successful, but of a man prostrate and agonized, dying in the act of trying to protect his children.

A deep and lasting chill went through me when I entered the town and saw the statue, and I settled like a toxic psychological cloud over me. This proved hard to dispel. It intensified as I met the people, heard their stories and saw the extent of the long-term illnesses.

The terrible images of the people of Halabja and their situation recur in my nightmares, and disturb my waking thoughts. Perhaps these thoughts persist so vividly as a reminder that the major task is now to try to get help for these people.

The writer is a professor of medical genetics at the University of Liverpool. This comment is adapted from a longer article in *The Washington Post*.

Sovereignty vs. Human Rights

By Flora Lewis

PARIS — The "right of interference" was asserted, and hailed in the circumstances, when some of the Gulf War allies decided they had to do something to protect the millions of Kurds under attack in northern Iraq in 1991.

The idea, put forward by France, was that where egregious and widespread crimes against life and human rights were being perpetrated, the traditional rule of nonintervention on the territory of a sovereign state should be suspended.

On its face, it is a generous and moral precept, accepting that there is some international responsibility when outrageous suffering is inflicted on people even by their own rulers. But it is very difficult to apply in this age of transition when the universality of basic human rights is gaining general recognition but the principle of absolute state sovereignty remains the fundamental thesis of international relations.

Every case has its problems, its urgencies and its arguments for and against. Three situations now in the headlines — Afghanistan, Algeria, Kosovo — reflect the dilemma. When and how the moral imperative requires us to "be my brother's keeper" are questions difficult to answer.

The widespread campaign "A Flower for the Women of Kabul" is an example. It is organized by the European Union's humanitarian agency and Doctors Without Borders to draw attention to the desperation of Afghan women and to "put pressure" on the Taliban regime to change its despicable, inhumane policy. But who should "put pressure," and how? As a humanitarian agency, Doctors Without Borders feels it inappropriate to answer. Some suggest cutting off foreign aid, but that is often all that

these virtually imprisoned women have left to live on.

Emma Bonino, the EU's commissioner for humanitarian affairs, points out that by denying women the right to work, not only have the long war's many widows been deprived of a livelihood but men suffer, too, because most of the doctors and teachers have been women while the men went off to the battlefields.

It is a policy of slow national suicide, another version of the Khmer Rouge madness. Since women cannot study anymore and male doctors cannot treat them, they will soon have no care.

The fanatic Afghan regime has been recognized only by Pakistan, the United Arab Emirates and Saudi Arabia, so sovereignty is not a self-evident issue to constrain wider spread, if unwavering, outside intervention that has kept the war going, involving such a tangle of geopolitical and economic interests (mainly involving proposed pipelines) that the "international community" is far from any consensus. So the campaign for Afghan women remains goodwill and nothing more.

International revision has finally been stirred against the daily massacres in Algeria, but that, too, is still expressed only in words. The EU sent a delegation to Algiers, which politely accepted the government's stand that outsiders must do nothing but support the government's failed anti-terrorist program and then went home.

Algeria is a sovereign state and says it doesn't want their aid. But day after day the butchered scream for help that never comes.

Kosovo, at last, is provoking some serious attention. The poisonous Serbian army and police repression has been going on for a long time, since Slobodan Milosevic launched his Serbian nationalist campaign by revoking Kosovo's autonomy in 1989. Ninety percent of the people are ethnic Albanians.

President George Bush drew a "red line" at Kosovo early in the Yugoslav war when it was feared that Serbian ethnic cleansing there might draw Albania, Macedonia, Greece, Bulgaria and Turkey into a general Balkan conflagration. Mr. Milosevic, much involved in Bosnia, respected it for a time.

But now he has gone on the warpath against a newly active Kosovo guerrilla movement. It draws local support because people are fed up with waiting for their nonviolent leadership to produce improvement. They had placed their hopes in "pressure" from the "international community." They have a point in saying that their plight is noticed only when they start to fight for themselves.

This time there has been at least a political response from the major powers, although none support the Kosovo wish for independence. How they expect to pacify Kosovo while respecting Serbia's insistence on undiluted sovereignty remains to be seen. At least they are not pretending anymore that the danger of war will go away by itself.

When a "right of interference" should be exercised is a post-Cold War question affecting whether there is to be some order or new disorder in an inescapably interdependent world. It is a matter of how consistently politics can be brought to promote principle.

Flora Lewis.

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Refighting That Never

By Jim

What is the point of refighting a war that never happened? The question is not new, but it is timely. In the wake of the recent conflict in the Balkans, many are asking whether the war was worth the cost. The answer, of course, is no. The war was a failure in every sense of the word. It was a waste of money, lives, and resources. It was a failure of leadership and strategy. It was a failure of the United States and its allies. It was a failure of the world community. It was a failure of the human race.

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TribTech

AOL Mounts a Challenge to Deutsche Telekom on Germany's Infobahn

By John Schmid
International Herald Tribune

FRANKFURT — As its business empire suffered one setback after another, Deutsche Telekom AG could point with pride to at least one enduring success: its booming on-line and Internet access service called T-Online.

Now, to Telekom's dismay, even keeping T-Online on top has become a lot tougher. Germany's leading cyber-service has had its first taste of the brutal competition that has smug the traditionally monopolistic telephone operations of its parent.

In two years, America Online Inc., the world's biggest on-line service, has come out of nowhere in Europe and aggressively begun to siphon off potential users who once flocked to T-Online and made the German service the biggest in Europe.

Enlisting savvy European partners like Bertelsmann AG in Germany and the pay-television broadcaster Canal Plus SA in France, U.S.-based AOL can offer jazzy

pages and breezy browsing that analysts said T-Online could not yet match, allowing AOL to blaze a trail on the Infobahn right into T-Online's home turf.

AOL does not hide its ambition to displace the incumbent. "No matter how fierce the competition might be, our aim is to be No. 1 in every European market," said Heinz Werning, chief executive of AOL's European operations, called AOL-Bertelsmann Europe GmbH, the joint venture between U.S. and German companies.

Like AOL and its U.S. competitors Prodigy and CompuServe a few years ago, these two European products are essentially the same. They both have Internet access, E-mail and sites to message other users about special interests.

The on-line sweepstakes in Germany, Europe's single biggest telecommunications market, confer rich prizes. According to the ZWEI industry trade group, growth of new German users should expand by 38 percent annually between now and 2001, outpacing the European average of 29 percent and 16 percent for France.

Some think ZWEI's projections are on the low side. Because only one in 20 Germans use the Internet now, compared to one person in five in the United States, AOL and T-Online count on an abundance of new subscribers.

As world leader in high-speed, high-volume digital phone lines, Germany is a natural market for AOL to spend a big portion of its \$50 million European development budget.

"It is cutthroat," said Peter Adenauer, a Dresden-based computer-networks entrepreneur, about the Telekom-AOL rivalry.

Telekom can hardly afford to lose customers. Both business and retail telephone consumers, who endured years of indifferent service and high prices, defected from its local phone service in droves after the government liberalized telephone service on Jan. 1. Several senior managers abruptly left in the wake of a stunning 1.5 billion Deutsche mark (\$819.3 million) loss last year in Telekom's foreign operations, a shortfall that covers troubles in its Asian

operations as well as start-up mishaps at the Global One alliance with France Telecom SA and Sprint Corp.

To be sure, T-Online still manages to steal customers, a fact that Telekom plans to trumpet to the global village next week at the CeBIT electronic trade fair in Hannover, one of the consumer-electronics industry's most lavish annual events. T-Online is expected to announce it has 2 million users, dwarfing the 500,000 that AOL has garnered within Germany in two years.

AOL sizes up the market differently. While T-Online clings to its title as Europe's biggest on-line service, AOL seized the claim as the biggest "pan-European" operator, emphasizing that most of its subscribers are not located in a single nation. AOL-Bertelsmann reached 1 million customers last month.

T-Online confines itself to its home market in Germany, while AOL-Bertelsmann operates in English, German and French and offers its services in Austria, Britain, France, Germany, Sweden and Switzerland. Upping the ante, AOL last month com-

pleted the takeover of CompuServe Inc., landing Europe's other big-league provider in AOL's camp. The acquisition added 2 million users to AOL's global network of 11 million, although most of them are American.

Within Europe, CompuServe lifted AOL-Bertelsmann's combined subscribers from 1 million to 1.85 million — nearly catching up with T-Online's benchmark of 2 million.

Vying for members also brings in new revenue from advertising, spawning a new rivalry: the more customers, the more each can charge for ads.

For now, most income comes from monthly user fees, although ad-driven income will grow in the future, both said. T-Online, which says it makes an operating profit, boasts cheaper fees: 8 DM per month with an additional hourly rate of 4.80 DM that falls to 3 DM per hour at night and on weekends.

AOL, which says it makes an operating profit, "in some European markets," charges 9.90 DM per month and a flat 6 DM per hour. In the first month, AOL lures members by waiving the

monthly fee and granting 50 free hours. T-Online "definitely is on the defensive, but it will be able to defend itself," said Philip Springuel, analyst at Organization and Technology Research, a Brussels-based think tank.

For instance, while AOL might have splashier content, T-Online has a clean cut lead in on-line security. "It was built as a totally secure network," Mr. Springuel said.

"This is like the competition between Mercedes and BMW, if you will," said an analyst in London. "Both are good cars. Some drivers might prefer a Mercedes because its reliable. Others might want a BMW because it is flashier."

SITES

Related sites on the Internet:
• America Online can be found at: www.aol.com for the English version, www.aol.de for German, www.aol.fr for French.
• Deutsche Telekom's T-Online is at www.t-online.de

On-Line Book Merchants Bracing for Competition

By Doreen Carvajal
New York Times Service

NEW YORK — The shelves of electronic booksellers are about to get much more crowded this year. Within three months, Borders Group Inc. is planning to open its long-delayed virtual store. The German media conglomerate Bertelsmann AG is constructing the equivalent of an international mall on-line that will sell books in English, French, Spanish, German and Dutch and ship them through its extensive distribution network in Europe and in the United States.

Meanwhile, Barnes & Noble Inc. has vowed to significantly increase its advertising and has reached a deal with an antiquarian book site that will enable the company to offer rare and used books.

In turn, Amazon.com has announced plans to start selling music and is preparing to expand into Europe while searching for distribution sites there, possibly in England or Germany. Jeffrey Bezos, 34, the founder and chief executive of the leading on-line bookseller, is cautious by the emergence of other entrepreneurs, he says.

"I'm paranoid about Barnes & Noble's purchasing power, and I'm paranoid of Bertelsmann's marketing skills, extensive customer base and their publishing background," Mr. Bezos said. "Our advantage is that we know more about e-commerce than anybody else."

Amazon.com's customer accounts grew to 1.51 million by the end of 1997, and 58 percent of the orders came from repeat customers. In its last quarter, Amazon.com lost \$9.3 million on sales of \$66 million. But what is most important to Mr. Bezos is that the company continues to increase its customer base through advertising, publicity and alliances with Internet search engines.

Stephen Riggio, 44, vice chairman of Barnes & Noble, who is presiding over the on-line subsidiary, also prefers to emphasize projections for the future and the company's long experience in the book business.

"How big is it going to get? We're looking at \$100 million in sales this year," Mr. Riggio said. "We're not being speculative about that range. We're going to be there. It's going to be bigger than a billion-dollar business."

At Bertelsmann, which has formed



Paul Hurns/The New York Times

regional teams around the world to start building its Web sites in different languages, the talk is even more ambitious: selling any book in print through an existing distribution network in Europe and the United States and marketing the service to its vast book and music club membership of more than 35 million people.

"Certainly Bertelsmann is better prepared to be out there than anyone else," said Markus Wilhelm, who is organizing Bertelsmann's on-line venture as chief executive of Doubleday Direct. "Bertelsmann is going to commit all the resources it takes. It's going to cost money to build a global Internet, but Bertelsmann is debt-free."

ALT / Commentary

A Math Problem for the Next Bill Gates

By Edward Rothstein
New York Times Service

WHEN the depressing results of the Third International Mathematics and Science Study were announced two weeks ago, technology became the great alibi of the United States.

American 12th-graders may score near the bottom of the industrialized world in their knowledge of advanced mathematics and science. The elite of American students may score nowhere near the elite of France or Russia or Switzerland. But so what?

Look where Silicon Valley is. Look where the great innovations in computer software and hardware are coming from. Look where advanced graduate students from around the world come to study and begin to stake out their technological fortunes. Hint: It's not the land of the cuckoo clock.

But the bleakness of the low U.S. standing is hard to ignore, and even on the Internet — a realm created by the United States and still dominated by it — the triumphs of technology do not offer much comfort. The Internet's news groups are still humming about the results (and offering links to the complete text of the study).

The poor showing of American students has been mounded in postings to the Usenet news group k12.ed.math, as well as the more administratively oriented schl.sig.k12admin. They have been invoked in the German news group schule.allgemein (which noted Germany's poor showing) and in soc.culture.indian, where one correspondent noted that the United States cannot even invoke its Nobel Prize winners in defense: So many winners are immigrants.

But in the hundreds of postings there has not been much enlightenment about how a high-technology success can grow out of educational mediocrity. The results will probably not be reflected in Silicon Valley and the sneaker-clad executives of the high-tech in-

The Problem

A string is wound symmetrically around a circular rod. The string goes exactly four times around the rod. The circumference of the rod is 4 cm. and its length is 12 cm.



Find the length of the string. Show all your work.

NYT

Solution to problem is on Page 17.

industries any sooner than they will alter the status of the elite American universities: There is at least a generation before any decline will be felt.

But besides that, some ask, will there really be any decline at all? How much calculus does a future Bill Gates really have to know? Doesn't current technological success by people with less than complete education prove its relevance and show instead the value of freedom, entrepreneurship, creativity and other such "soft" values that now rule in the United States?

MAYBE America should cede Switzerland its high scores and watch its citizens buy American PCs.

Or maybe not. Consider one problem on the test, which is given on Page 168 of the report. It shows a string wound around a circular rod exactly four times, creating a spiral from one end of the rod to the other. The problem was asked only of those who had studied advanced mathematics: What is the string's length if the circumference of the rod is 4 centimeters and the rod's length is 12 centimeters?

The problem is simply stated and simply illustrated. It cannot be dismissed as being so theoretical or abstract as to be irrelevant for the technocrats of tomorrow. It might be asked about the lengths of tungsten coiled into filaments; it might come in handy in designing computer chips where distances are crucial. It seems to involve

some intuition about the physical world and some challenge about how to determine something about that world.

IT ALSO turned out to be one of the hardest questions on the test. The international average of advanced mathematics students who got at least part of the question correct was only 12 percent (10 percent solved it completely). But the average for the United States was even worse: just 4 percent for a complete solution (there were no significant partial solutions).

The rate of Swedish students' success was six times that of the Americans; Swiss students did more than four times as well. Even Austrians, who ranked at the very bottom in advanced mathematics testing — just below the United States — scored 9 percent on this question.

What is also interesting about this particular example — a technological one, after all — is that it requires almost no advanced mathematics at all. It requires a way of thinking. If you cut the cylinder open and lay it flat, leaving the string in place, you get a series of four right triangles with pieces of the string as their diagonals. The length of the string is calculated using a principle learned by every U.S. math-grader.

It is actually a beautiful solution, simple and startling enough so one almost has to take an object in hand and think about why it makes sense (try it with a toilet-paper tube).

Nothing could be a better illustration of the value of teaching a mathematical way of thinking. It requires different ways of examining objects; it might mean restating problems in other forms. It can demand a playful readiness to consider alternatives and enough insight to recognize patterns.

To a certain extent, this is true of most subtle mathematical problems: They teach ways of thinking. That is precisely what will be needed in the future, and not just by executives in Silicon Valley. Supposedly this kind of playful freedom is the source of America's innovations. But without the discipline of training and practice, this problem seems to suggest, the technological alibi will eventually be full of holes.

Edward Rothstein writes the Connections column for The New York Times.

SITES

Related sites on the Internet:
• The Third International Mathematics and Science Study can be found at: nces.ed.gov/timss/

BRIEFLY

• **HOT TIPS ON BROKERS:** The National Association of Securities Dealers will put brokers' employment histories on-line starting March 26, as the first step in a \$50 million project to make it easier for investors to find out about the disciplinary histories of U.S. brokers.

Initially, the system will offer Internet access to such basic data as a broker's work and registration history, a NASD Regulation representative said.

But the association expects to begin making disciplinary histories — such as information about fines, suspensions, or other actions against a broker or firm — available on its Web site by October, with all such data available by mid-1999. Until then, investors will be able to request such information via electronic message, fax or mail. (Bloomberg)

• **PALM PILOT SLIMS DOWN:** 3Com Corp. has introduced an enhanced version of its Palm Pilot hand-held electronic organizer as it prepares for Microsoft Corp.'s May entry into the market for such devices.

The Palm Pilot has become an Information Age fashion accessory. Palm III, available in April, is to cost \$399.

The new version will be slightly thinner than its predecessor and will include an infrared beaming capability to exchange information with similarly equipped devices; an increase in memory from 1 to 2 megabytes, permitting the storage of 6,000 names, and a file-linking feature for importing data from personal computers.

Microsoft plans to introduce in May its Palm PC, which will use a scaled-down version of the Windows operating system, Windows CE. (NYT)

• **MORE FLUENT IN JAPANESE:** Microsoft Japan has unveiled an upgrade to its Japanese-language version of Windows CE, its operating software for small hand-held computers, and five top man-

ufacturers said Wednesday they would use the new system.

NEC Corp., Hitachi Ltd. and Hewlett-Packard Japan will sell hand-held computers equipped with Windows CE2.0, while Casio Computers and Compaq Japan plan to launch mini-computers with the updated operating system.

Improvements to Windows CE2.0 include color-monitor support and enhanced Internet and data transmission capabilities, Microsoft Japan said. It also recognizes handwritten Japanese and has a voice-data input function. (Bloomberg)

• **PATENT SEARCH PENDING:** Derwent Inc. plans to unveil an Internet-based service, Patent Explorer, that will allow access to a database of patents dating back to 1974 in the United States and 1978 in Europe. Users can search for information by keyword, patent number or name of awardee, adding up to 40 other search criteria. The service also allows for customized searches to be conducted automatically every week or month.

The service, which will require the user to have a Derwent account, will be at www.patentexplorer.com. (WFP)

TECHNOLOGY INDEX

A glance at technology stock indexes around the world			
	Tuesday close	% change previous week	% change year to date
North America			
Pacific Stock Exchange Technology	328.63		+13.10
Standard & Poor's Technology Composite	784.83		+10.82
Europe			
Morgan Stanley Eurotec	499.80		+22.93
Asia			
Topix Electric	1692.19		+2.92

Source: Morgan Stanley, Bloomberg News

For technology articles from the past week, see the Technology Index on the IHT's World Wide Web site at <http://www.ihl.com>. Articles include:

- Click and Bet? New York City Unplugs 14 Mar. 7-8
- On-Line Bookies Mar. 6
- Intel's Warning Makes Wall Street Shudder Mar. 6
- Computer Associates to Drop Takeover Attempt Mar. 6
- Chipmakers Retool in Race to Get Specialized Mar. 7-8
- Pearson Sells Mindscape, Taking Big Loss Mar. 7-8
- Microsoft to Develop Chinese Net Browser Mar. 7-8
- Palm Struggles to Fend Off Microsoft Mar. 9
- A Texan Stands Out Among Chip Firms Mar. 10
- Qwest to Buy LCI for \$4.4 Billion Mar. 10
- Telefonica Chooses Alcatel Abroad Mar. 10

To reach TribTech editors or to comment on IHT technology coverage, send e-mail to tribtech@ihl.com.

Software Winner



Ron Dennis,
Managing Director,
McLaren International

McLaren is one of the winningest teams in Formula One history.

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West McLaren Mercedes

"To win consistently, you have to have the best. That's why we've teamed up with Computer Associates," says Ron Dennis, Managing Director for McLaren International. "Processing our engine and race data efficiently and intelligently is crucial and CA is helping us approach it in an entirely new manner."

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Built around CA's Unicenter™ TNG™, the program can monitor the telemetry data that the race car transmits to the pits while it's racing. Everything from throttle response to brake pressure to even the G-forces exerted on a driver. TNG then displays the data through its award-winning 3-D, Real World Interface™.

"I have a favorite saying, that is, to come in second is to be the first of the losers," says Ron Dennis.

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THURSDAY, MARCH 12, 1998

PAGE 11



The construction site for Intel Corp.'s new \$500 million complex is located just outside San Jose. Intel considered a number of other countries.

Costa Rica's New, High-Tech Place in the Sun

As Economy Moves Away From Traditional Exports, a Tropical Silicon Valley Emerges

By Serge F. Kovaleski
New York Times Service

SAN JOSE, Costa Rica — These may be the waning months of President Jose Maria Figueres's administration, but he has not let up in his courting of foreign high-technology companies as part of this nation's drive to become the Silicon Valley of Latin America.

Mr. Figueres, for instance, has been conducting meetings every two weeks with a dozen or so executives of overseas high-technology firms that already have established a presence here to discuss their experiences doing business in Costa Rica.

Accompanied by a team of investment experts, Mr. Figueres also visited the United States last month to meet with corporate officers, including Bill Gates of Microsoft Corp. and executives from such other blue-chip companies as Boeing Co. and Hewlett-Packard Co.

One of the world's biggest computer-equipment makers, Hewlett-Packard recently announced that it would open a new customer-support office here that would be geared to its corporate clients, which include Intel Corp., Motorola Inc., Epsilon and DSC Communications.

Costa Rican officials decided 15 years ago to transform the nation's economy from one based on traditional export staples such as coffee, bananas, sugar and beef, to one centered on computer chips and services. Judging by export estimates for this year, the transition is far along.

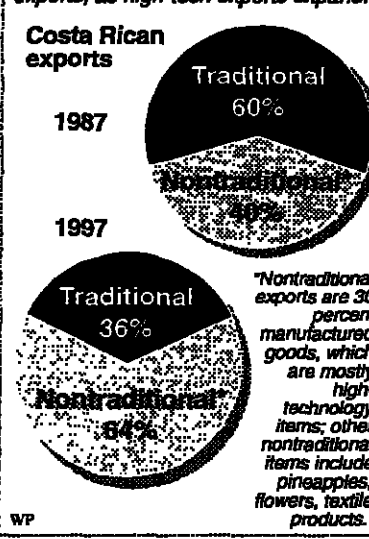
For the first time, according to government figures, Costa Rica is expected to earn more from high-technology exports in 1998 than from bananas or coffee or even its lucrative tourism industry. Buoyed by investment by such companies as Intel, sales of technology goods abroad should reach \$1 billion, a threefold increase over last year's levels, making Costa Rica the largest exporter of such equipment per capita in Latin America.

"This is a country that is at the turning point of its evolution toward integrating into the world economy," said Eduardo Alonso, general manager of the Costa Rican Foreign Trade Promotion Office. The office oversees the nation's free trade zone, in which 150 overseas companies operate.

Long considered an anomaly in a part of the world that has been rife with poverty, social chaos and corruption, Costa Rica has used its unique status as a cornerstone of its marketing push to

High-Tech for Export

Bananas, coffee and other traditional Costa Rican products no longer make up the largest share of the country's exports, as high-tech exports expand.



secure investors. After abolishing its army nearly a half-century ago, the country has pumped large sums of money into education, creating a

highly skilled workforce that reflects a population with a 95 percent literacy rate.

Although funding for such social programs has been reduced over the last decade because of Costa Rica's large internal debt, Mr. Figueres recently announced an ambitious plan to provide all elementary and high school students with their own e-mail addresses by the end of this year. The administration is leaving office at the beginning of May, but funds for the project have been arranged through the World Bank, the Inter-American Development Bank and the United Nations.

The political and economic stability in Costa Rica has been a big draw for corporations, as has its socialized medical system and the general quality of life in a nation where 93 percent of the inhabitants have electricity.

But many of the low-wage industries, such as textile and garment factories, that fled to Costa Rica during the civil wars that ravaged much of Central America have relocated to places like El Salvador, Nicaragua and Guatemala as peace was restored in those countries. The main reason for

See COSTA RICA, Page 17

Stalwart IMF Client

Hoping for Reward

Thai Leader to Seek Relief in U.S. Visit

By Joseph Kahn
New York Times Service

BANGKOK — While plenty of critics have attacked the International Monetary Fund's bailout packages for troubled Asian economies, Prime Minister Chuan Leekpai of Thailand has carved out a niche as the leader who says yes.

Yes to high interest rates. Yes to a new bankruptcy law. Yes to sweeping closures of finance companies. If the IMF, as some critics suggest, is punishing Asian countries for past excesses, then Mr. Chuan believes in penance.

"When a crisis like this occurs you have to take the tough decisions," the prime minister said. "There is no choice for Thailand but the IMF."

That unwavering stance has made Mr. Chuan, who arrives in Washington on Thursday, the Fund's most reliable Asian client. From his first days in office last autumn, Mr. Chuan has made it clear that Thailand, whose financial meltdown set off the Asian economic crisis last July, had nothing to gain by confronting the IMF or blaming Western financiers for the country's continuing troubles.

He has stood firm as Indonesia and the IMF battle over the terms of that country's \$43 billion rescue package, even dashing to Jakarta last week to urge President Suharto to mend ties with the Fund, aides say.

The question for Thailand and the IMF is, will fidelity pay? Mr. Chuan's U.S. visit will provide at least a partial answer.

Thai officials say Mr. Chuan will stress during stops in New York, Washington and Los Angeles that Bangkok cannot fully recover unless Washington and U.S. financial markets reward good behavior — and distinguish countries that pursue reforms from those that resist.

"My message to investors will be that they think of the countries here individually, not just as part of a region," Mr. Chuan said.

"We would like to invite investment in Thailand — our markets, our banks and other areas. The trend for us is positive."

Specifically, Thai officials say, Mr. Chuan will court U.S. finance and business executives at three functions in New York, visit bankers offering to put together big sovereign bond deals, and hold talks with the man once considered the nemesis of Asian financial markets, the hedge-fund magnate George Soros.

The prime minister's goal is to persuade bankers to keep rolling over Thailand's nearly \$70 billion worth of private-sector debt, even while luring fresh investment and loans to inject liquidity into the parched economy.

In Washington, Mr. Chuan said he will lobby President Bill Clinton to excuse Thailand from a \$392 million contract to purchase F/A-18 fighters, which Bangkok says it cannot afford. He will also seek assurances that the United States would back a Thai request to increase the size of its IMF bailout package, perhaps by as much as \$5 billion.

Mr. Chuan, a scholarly, soft-spoken former lawyer who had one previous stint in high office in the early 1990s, came to power midway through Thailand's financial meltdown with a strong reform agenda.

After the previous government had dithered, Mr. Chuan closed 56 troubled finance companies, nationalized four insolvent banks, eased foreign investment, slashed the government budget and raised taxes, all controversial measures demanded by the IMF as a condition for providing a \$17.2 billion emergency credit line.

Mr. Chuan has honed an investor-friendly delivery. For example, he rejects the view expressed in the past by leaders in Malaysia and Indonesia that some IMF-style reforms are incompatible with Asian values.

"There is nothing in our culture or traditions to hold back new development," he said. "For example, there must be real competition in our economy now, not just among a small number of chosen companies."

Markets have reacted positively. Foreign funds have helped lift the Thai stock market well above its lows of late last year. The baht has held steady. The country has also posted a string of monthly trade surpluses, reversing a long streak of deficits.

Still, the IMF does not expect a quick recovery. The economy is expected to shrink by 3.5 percent this year. While the government predicts an upturn by autumn, many analysts doubt the economy will turn the corner until at least next year. Banks have no money to lend, companies are in default and bankruptcies and unemployment are at record highs. And some reforms have yet to be fully implemented by a conservative bureaucracy.

"I don't think you will see a 'V' shaped recovery," said Hubert Neiss, the IMF's Asia-Pacific director and a strong supporter of the Chuan government's reforms. "It will be U-shaped — slow but steady."

One missing ingredient is long-term foreign investment, as few big companies have taken significant stakes in Thai banks or corporations. Without such corporate rescues, Thai officials fear it will take much longer to restructure leading companies.

INTERNATIONAL MANAGER

WorldCom and MCI: Common Links but Worlds Apart

By Seth Schiesel
New York Times Service

NEW YORK — When the directors of MCI Telecommunications Corp. and of WorldCom Inc. dined together Tuesday evening, the contrast between the two boards was stark.

"The MCI board is much older, more corporate almost; it has two women and an African American," said one person who was present when the dinner was held, at MCI's headquarters just down Pennsylvania Avenue from the White House. "It's like you'd think a board would look like."

The WorldCom board is all entrepreneurial-type guys that came with the acquisitions, the person said. "The difference is almost funny."

The challenge of integrating the cultures of two such different companies — one a brash newcomer to the upper echelons of the telecommunications world, the other a one-time rebel that joined the establishment — is just one of the potential hurdles in the pending MCI-WorldCom merger.

Analysts said those hurdles were not likely to block the acquisition altogether. But they could throw bumps in the path of a deal that would produce one of the world's most powerful communications companies.

That company was to start to take form Wednesday, when the companies proposed directors of the new company.

Executives who spoke on condition of anonymity said that so far, the lineup consisted of 17 people: six officers from the combined corporation, eight outsiders appointed by WorldCom and three outsiders appointed by MCI. The proposed board would include at least one person who is not now on the board of either company.

The shareholders of the two companies were scheduled to hold separate votes on the deal after the board announcement. Each was to be held far from the hotel in midtown Manhattan where Bernard Ebbers, WorldCom's chairman, and Bert Roberts Jr., his counterpart at MCI, announced their \$37 billion pact in November.

Late Wednesday, WorldCom shareholders, meeting in Jackson, Mississippi, approved the acquisition of MCI, clearing one of many hurdles, Bloomberg News reported.

MCI's shareholders, were meeting in South Sioux City, Nebraska. But even if both votes are romps in favor of the deal, as expected, the agreement to merge will remain just that — an agreement, not a reality — for at least a few more months.

Regulators in Europe and the United States have deepened their inquiries into the antitrust implications of the deal because both MCI and WorldCom are major carriers of Internet traffic.

The two companies generally contend that the retail and wholesale, or

"backbone," Internet markets should be considered a single market for the purposes of antitrust consideration.

In that case, the combined companies would control around 20 percent of the industry. But Jeff Keefe, an associate professor at Rutgers University's management school, said, "If you believe that there is a separate Internet backbone provider market, WorldCom-MCI would control somewhere between 48 and 68 percent of that market."

People close to the Justice Department's antitrust division, which is conducting the primary investigation of the deal, said the department was likely to demand that the combined MCI-WorldCom either divest itself of some of its Internet assets or assure the government that competitors would be granted fair access to the company's systems.

There is no formal timetable for the department to finish its review, but people close to the investigation said it would probably be a few months before the department's antitrust chief, Joel Klein, decided what to do.

The length and intensity of a Justice Department investigation is, by itself, little indicator of its eventual outcome. The department subpoenaed crates of documents during its nine-month inquiry into the merger of Bell Atlantic Corp. and Nynex Corp. In the end that deal sailed through without challenge.

In the case of WorldCom and MCI, analysts and people close to the inves-

tigation said, the department is likely to try to change relatively minor contours of the combined company rather than attempt to scuttle the deal altogether.

Some analysts think MCI-WorldCom's greatest asset with regulators is the combined companies' potential to take on the regional Bells in local telephone markets.

"The government thinks that the enemy of my enemy is my friend," said Scott Cleland, a telecommunications policy analyst for the Legg Mason Precursor Group in Washington. "And the government's real enemy are the Bells. The regulators are more interested in breaking up the local monopoly than in long-distance competition."

If it were not for MCI's running up unexpectedly large losses in its local operation last year, the company would probably be a part of British Telecom's PLC by now.

The British carrier pressed MCI to renegotiate the companies' merger accord last year after learning of the losses. That opened the door for WorldCom.

Merging with either company would have been a cultural journey for MCI. But WorldCom is a very different sort of partner because it has made its reputation mainly on mergers and cost-cutting rather than on the quality of its telecommunications services.

"WorldCom is especially strong at running an acquisitions machine," said Mark Brunen, president of the communications and computing unit at Renaissance Worldwide, a consulting firm. "MCI is especially strong at running a phone company. And those are very different skills."

Irish Media Figure Acquires Control of The Independent

By Tom Buerkle
International Herald Tribune

LONDON — The Independent, the newspaper that broke the mold of Britain's highly partisan press in the 1980s by most readers and money in the 1990s, gained a new lease on life Wednesday via the pockets of the Irish industrialist and media mogul Tony O'Reilly.

Mr. O'Reilly's Independent Newspapers PLC announced it was taking full control of the British title by buying out the share of its partner, Mirror Group Newspapers, and other minority shareholders for £30 million (\$49.2 million).

The deal appeared to guarantee The Independent the resources it needs to attempt to rebuild its circulation. It also culminated a long-running desire of Mr. O'Reilly, who has built a major newspaper business in Ireland, Australia, New Zealand and South Africa, to do battle with Rupert Murdoch, who owns The Times, and Conrad Black, owner of The Daily Telegraph.

"We have clear ownership and a clear direction, which is upmarket," said Andrew Marr, who resigned as editor in a dispute over cost cuts in January but will return as editor in chief as part of the deal. "We're actually going to spend money on journalists."

Launched amid fanfare in the mid 1980s with the aim of providing more objective, American-style reporting, The Independent's circulation rose to more than 400,000 copies a day at its peak, briefly surpassing The Times and The Guardian. But the competition has improved its quality in recent years. A £4 million redesign of The Independent flopped last year as circulation dipped to 225,000.

In advance of Wednesday's announcement, meanwhile, Mr. O'Reilly's competitors have been taking potshots, publishing stories that accused his papers of tailoring their coverage to suit his business interests. The Times wrote Monday that Mr. O'Reilly had failed to invest adequately in his South African papers and had slanted coverage in favor of the ruling African National Congress.

Mr. Marr praised the advisory board appointed to guarantee The Independent's independence, which includes none other than Chris Patten. The former Hong Kong governor clashed openly with Mr. Murdoch last week after the tycoon ordered his HarperCollins publishing arm to drop a book by Mr. Patten for fear of ruffling feathers in China, a market where Mr. Murdoch has placed huge bets.

CURRENCY & INTEREST RATES

March 11									
Cross Rates	\$	£	DM	FF	Yen	Sc	Sw	DK	Nor
Australia	1.27	1.48	1.32	1.32	0.14	1.32	1.32	1.32	1.32
Canada	0.71	0.71	0.71	0.71	0.07	0.71	0.71	0.71	0.71
France	1.66	1.66	1.66	1.66	0.16	1.66	1.66	1.66	1.66
Germany	1.44	1.44	1.44	1.44	0.14	1.44	1.44	1.44	1.44
Italy	1.94	1.94	1.94	1.94	0.19	1.94	1.94	1.94	1.94
Japan	1.32	1.32	1.32	1.32	0.13	1.32	1.32	1.32	1.32
UK	0.71	0.71	0.71	0.71	0.07	0.71	0.71	0.71	0.71
US	1.00	1.00	1.00	1.00	0.10	1.00	1.00	1.00	1.00
Other Dollar Values	Per \$	Per £	Per DM	Per FF	Per Yen	Per Sc	Per Sw	Per DK	Per Nor
Argentine peso	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
Brazilian real	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
Chinese yuan	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
Indian rupee	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075
Israeli sheqel	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
Japanese yen	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094	0.0094
South African rand	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
Swedish krona	0.0013	0.0013	0.0013	0.0013	0.0013	0.0013	0.0013	0.0013	0.0013
Swiss franc	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075
Thai baht	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
Forward Rates	30-day	60-day	90-day	120-day	150-day	180-day	210-day	240-day	270-day
Canada	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
France	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
Germany	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44
Italy	1.94	1.94	1.94	1.94	1.94	1.94	1.94	1.94	1.94
Japan	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32
UK	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71
US	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

EU Serves Notice on 'Open Skies' Pacts

By Barry James
International Herald Tribune

BRUSSELS — The European Commission is challenging eight countries that have concluded airline deals with the United States, saying they could face court action for obstructing the liberalized European aviation market.

The commission, the executive body of the 15-nation European Union, regards bilateral "open skies" deals, as they are known, as an impediment to competition and as a way to give access to European markets on unequal terms by U.S. carriers. Neil Kinnock, the commissioner in charge of transportation, has said the agreements not only put America first, "but America first, last, both ways across the Atlantic, and within and beyond Europe."

The commission has long been warning that it would act. At its weekly meet-

ing Wednesday, it said it would send a "reasoned opinion" to Austria, Belgium, Denmark, Finland, Germany, Luxembourg, Sweden and the United Kingdom.

The commission is also challenging open skies deals by several nonmember states — Norway, Iceland and Switzerland.

The countries have two months to respond, and the commission said it might take the case to the European Court if it finds the replies unsatisfactory.

All the countries were certain to resist the commission's demands, aviation industry observers said.

"We entered into this agreement like other states before and after us," an Austrian Transport Ministry spokesman told Reuters. "We believe it's EU-compatible — and will adhere to its contents."

The commission has a mandate to negotiate foreign trade on behalf of member states, but air transportation was not originally a part of it. Two years ago, the

governments did authorize the commission to open negotiations with the United States in the field of civil aviation.

Mr. Kinnock regards the open-skies deals as impeding these negotiations, because the United States is under no pressure to deal with the commission if it can get better terms with individual governments.

The commission contends that the agreements give U.S. carriers full access to Europe in exchange for only limited access to the American heartland. Because the United States restricts the number of airports at which foreign carriers can operate, several European airlines have circumvented the law by signing so-called code-sharing agreements with U.S. carriers.

The commission aims to obtain full market access for EU carriers in the United States, and reciprocal ownership rights.

EUROPE

VW Team, Weighing Bid, Is Said to Visit Rolls-Royce

FRANKFURT — Volkswagen AG, long coy about its interest in taking over Rolls-Royce Motor Cars Ltd., appeared on Wednesday to be seriously considering making a bid as it emerged that top management had visited the British carmaker.

Sources in Germany and Britain said that Ferdinand Piech, the Volkswagen chairman, and the Lower Saxony premier, Gerhard Schröder, who also sits on VW's supervisory board, had visited Britain on Saturday to gather information on Rolls in advance of a possible bid.

Mr. Schröder is a member of the supervisory board of Volkswagen because

Lower Saxony holds slightly more than 20 percent of the capital of the luxury-car manufacturer.

The chairman of Rolls-Royce Motors, Graham Morris, and Mr. Piech know each other well because until the end of 1996 Mr. Morris was the head of sales for Audi, a subsidiary of VW, the Bild newspaper reported.

The German carmaker BMW AG has so far been the only company to state clearly that it would bid for Rolls-Royce. Volkswagen has said that it was studying whether it would make an offer.

Although at least one round of bids for Rolls-Royce must be submitted to its owner, Vickers PLC, before shareholders decide who

will take over the company, Bild reported that VW was close to closing a deal.

The newspaper said the price for Rolls-Royce would be from 750 million to 1.2 billion Deutsche marks (\$410 to \$656 million).

Industry sources in Britain confirmed that Mr. Piech and Mr. Schröder had been at Rolls over the weekend, but they stressed that the meeting was not the first between Rolls and senior management from a prospective bidder.

The chairman of Vickers, Sir Colin Chandler, who put Rolls up for sale late last year, said last week he did not expect any bids to be made for several weeks while prospective

buyers signed confidentiality agreements and scrutinized the company's books.

"The process is still ongoing," a Vickers spokesman said. "It is running according to plan and we have a good level of interest."

A BMW spokesman said Wednesday that it was still looking at the company.

"BMW is still interested," the spokesman said. But he also said that BMW had alternatives to Rolls that would allow it to enter the luxury limousine market.

At the Geneva car show last week, the BMW chairman, Bernd Pischke, said the company was more interested than ever in taking over Rolls, but that he would make only one offer.

2 Italian Banks Join Forces as Euro Gets Near

MILAN — Banca Popolare di Brescia and Banca San Paolo di Brescia SpA said Wednesday that they were combining, creating one of the largest northern Italian banks, in preparation for the single European currency.

In a stock swap worth about 2.3 trillion lire (\$1.28 billion), Popolare Brescia shareholders will get one share in the new company for every share owned, giving them a 53 percent stake. San Paolo shareholders will get one share for every three held, a discount of about 4 percent based on closing prices Tuesday. Management and the board of the company will be split evenly between the two banks.

The banks, which began talks in December, are the latest to consolidate in a bid to bulk up ahead of the single currency, which will eliminate financial barriers between the 11 nations likely to use the currency starting Jan. 1.

"Brescia is one of the richest cities in Italy," said Andrea Mancadori of Milla & Co., "so these two banks know how to compete in what has become one of the most difficult markets."

The two banks will have 27 million lire's worth of assets. Popolare Brescia shares closed down 742 lire at 24,135 and San Paolo fell 398 lire at 8,248. (Bloomberg, Reuters)



IS THAT YOUR OFFICE? — David Hermann, head of Adam Opel AG, getting a pointer Wednesday from Chancellor Helmut Kohl at the German automaker's new Russelsheim headquarters.

Lufthansa Net Climbs

Bloomberg News

FRANKFURT — Lufthansa AG said Wednesday that its 1997 net income rose 45 percent, beating forecasts, helped by alliances with other airlines, cost cuts and a weaker Deutsche mark.

Shares of Germany's dominant airline surged more than 5 percent after Lufthansa said net income rose to 800 million Deutsche marks (\$436.9 million), on a 10.7 percent increase in revenue, to 23 billion DM.

Cost-cutting and alliances with other airlines have been central to Lufthansa's efforts to cope with growing competition in the airline industry. The airline's partnerships added more than 300 million DM to earnings in 1997.

Lufthansa also benefited from a stronger dollar, which rose 16 percent against the Deutsche mark in 1997.

The airline said it would raise its dividend to 90 pfennig per share, from 50 pfennig per share.

Shares of Lufthansa closed Wednesday in Frankfurt at 39.05 DM, up from 37.

Charges Linked to Planned Merger Bring Shortfalls at UBS and SBC

ZURICH — Union Bank of Switzerland and Swiss Bank Corp. said Wednesday their giant merger was on track, but that the huge task of forming the world's second-largest bank would weigh on 1998 earnings.

As expected, the two banks reported net losses for 1997 due to big charges taken to prepare for the merger, which should be completed in the second quarter.

"Experience shows that a slight decrease in profitability may be expected during the early stages of a merger," UBS said in a letter to shareholders, citing uncertainty during the transition and the demands on staff implementing the deal.

The banks did not put a figure on the potential short-term impact of the merger. But they reiterated earlier forecasts that the new merged bank could post a consolidated profit of 10 billion to 11 billion Swiss francs (\$6.71 billion to \$7.38 billion) by 2002.

UBS posted a group net loss of 129 million francs after a 1996 loss of 5 million francs that

followed charges for restructuring and loan-loss provisions, which all three big Swiss banks took in 1996 to clear a backlog of bad loans and reduce domestic overcapacity.

The banks posted a combined restructuring charge of 7 billion francs against 1997 results.

SBC reported a loss of 248 million francs after a restructuring charge of 2.8 billion francs to cover the merger. It had reported a 1996 loss of 1.96 billion francs after restructuring charges and loan-loss provisions. Operating profit rose 17 percent to 4.57 billion francs.

SBC's investment-banking arm, SBC Warburg Dillon Read, said it barely broke even in the second half of 1997, as plunging Southeast Asian currencies and markets hurt profit.

Profit fell to 20 million francs in the second half. The parent company did not publish profit for SBC Warburg in 1996. The bank's full-year profit fell 15 percent, to 711 million francs, SBC said.

SBC's shares closed Wednesday at 505 francs, down 2 UBS' shares closed at 2,364 francs, up 17. (Reuters, AFP, Bloomberg)

EU Moves to Bolster Trans-Atlantic Trade

BRUSSELS — The European Commission approved plans Wednesday to negotiate an ambitious agreement with the United States that would bolster trans-Atlantic trade flows by removing remaining barriers.

The European Union's executive agency, meeting in Strasbourg, unanimously gave the go-ahead to the initiative proposed by the EU's trade commissioner, Sir Leon Brittan.

U.S.-EU trade in goods and services exceeded 355 billion U.S. dollars in 1996, according to the Commission. Removing barriers to trans-Atlantic trade could add up to 150 billion Euros a year to

the Union's gross domestic product after five years and have similar benefits for the United States, Commission officials say.

The EU's 15 member-states must approve the proposal before formal negotiations with the United States can start.

The proposal calls for the widespread removal of technical barriers to trade in goods, for a free-trade area in services and for further liberalization in government procurement, intellectual property and investment.

It urges the EU and the United States to make a commitment to eliminate industrial tariffs by 2010 if a "critical mass" of other trading partners agreed to do the same.

Investor's Europe				
Frankfurt DAX		London FTSE 100 Index		Paris CAC 40
October 1997	Nov	October 1997	Nov	October 1997
December 1997	Jan	December 1997	Jan	December 1997
Frankfurt DAX		London FTSE 100 Index		Paris CAC 40
Amsterdam AEX		Windsor WSE		% Change
Brussels BEL 20		1,097.55		1,094.72 -0.35
Stockholm OMX		2,964.68		2,999.90 +0.89
Oslo OBX		4,832.76		4,834.43 +0.03
Helsinki HEX 100		711.50		709.93 -0.22
Warsaw WIG		4,176.45		4,119.69 -1.38
Prague PX		713.74		713.91 +0.76
Budapest BUX		5,829.80		5,826.50 -0.02
Sofia SOFI		805.05		805.74 +0.09
Belgrade BELEX		21462		21,460 +0.01
Tirane TIR		3,539.43		3,521.51 -0.51
Yerevan YER		3,787.77		3,752.12 -0.95
Baku BAK		1,417.35		1,408.35 +0.67
Tbilisi TBIL		4,523.07		4,503.57 -0.53
Source: Reuters				
Incorporated North America				

NYSE

Wednesday's 4 P.M. Close

The 2,600 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.
The Associated Press.

12 Month High Low Stock Div Yld PE 100s High Low Latest Close

[illegible][illegible][illegible][illegible][illegible]

	12 Month	High	Low	Stock	Div	Yld	PE	1888	Low
1174	198	188	178	Megabank	1.12	30	20	20	20
1175	200	190	180	Megabank	1.12	30	20	20	20
1176	200	190	180	Megabank	1.12	30	20	20	20
1177	200	190	180	Megabank	1.12	30	20	20	20
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1179	200	190	180	Megabank	1.12	30	20	20	20
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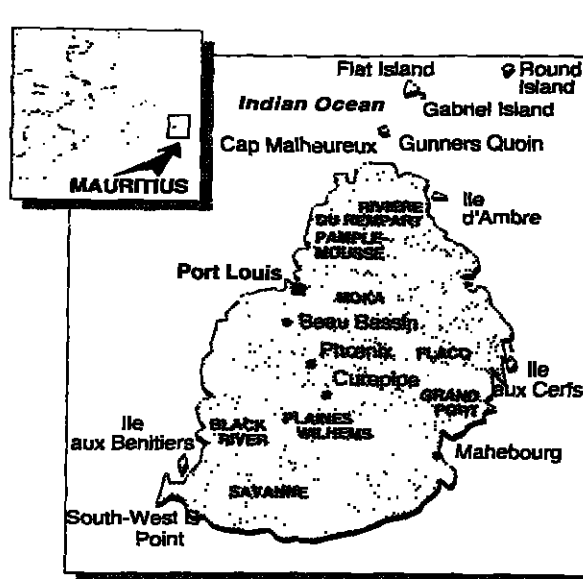
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MAURITIUS

The island of Mauritius is uniquely situated to do business with Africa, Europe and Asia. The diversity of its business partners has shielded the island from the turmoil affecting some Asian countries. Mauritius is a mixture of cultures, and its inhabitants speak both English and French. In addition, it is a pleasant place to live, with good climate and little crime. Clockwise from top left: a place in the sun for everyone, the financial district, the electronics industry.



AN ISLAND ECONOMY THAT CAN WEATHER CURRENCY STORMS

Because Mauritius has commercial relationships throughout the world, the Asian currency crisis is not battering this island.

Isolation brings its own rewards. The Indian Ocean island of Mauritius, having weathered the immediate effects of the Southeast Asian currency crisis, looks set to sustain its economic performance of recent years, with steady growth and low inflation. A dynamic combination of agriculture, industry, tourism and financial services is helping to keep the island economy afloat, even thriving.

Mauritius — dubbed by a Western trade official as “the up-and-coming Singapore of the Indian Ocean” — maintains a balanced mix of trade and investment partners, including two subcontinental giants, India and South Africa. “Business relations with India are developing rapidly, and the recent visit of Mauritius Prime Minister Navin Ramgoolam to South Africa was evidence of a close and growing partnership between two economic leaders in the Southern Africa Development Community (SADC).”

But the Far Eastern crisis

is stimulating a new debate about economic strategies for Mauritius, not least because the development policies of the Southeast Asian tigers “have been a source of inspiration for other countries across the world,” as Minister of Finance Vasant Bunwaree said at a recent conference in Port Louis. One of the lessons of the crisis, he says, is that countries must now pay greater attention to factors affecting investor confidence, including good management and effective regulation.

Established reputation
At a conference to be held in Mauritius at the end of March, Chris Patten, former governor of Hong Kong, will talk about the “Hong Kong recipe,” drawing attention to the potential benefits of providing efficient financial services for rapidly developing regions. Although economic analysts doubt that either India or Southern Africa can match the growth prospects of China, Mauritius is already a well-re-

garded financial services center for both these regions — and even for China itself. Thanks to its overlapping special relationships with Asia, Africa and Europe, Mauritius has avoided being hurt by major changes in the world economy and has found ways to reap many benefits from increasing globalization. It helps that the country has an established reputation for high quality and efficiency in its three principal sources of income: sugar, textile manufacturing and tourism. With healthy economic growth of 5 percent last year, low single-digit inflation and modest foreign borrowing, Mauritius has a record of growth that is unparalleled in the African region.

Eye on the future
The key issue now is how to sustain this growth into the future. In the opinion of economic commentators, maintaining the performance of the past three decades will require a firm hand in applying the emphasis on ef-

ficiency in the private sector to the public sector. “Courage will be required if the Mauritius miracle is not to peter out,” says Noah Beckwith, an economist with special knowledge of the country.

Biting the bullet
Reform is proving a hard bullet to bite at a time when Mauritius has new concerns about unemployment. At 6 percent, unemployment is low by world standards, but it could become a serious political issue if the figure rises. Although expansion of the key economic sectors continues to be impressive, the improving productivity of the sugar and textile industries means that they will not soak up the available labor. This leaves tourism, services and related infrastructure projects as the most likely sources of new employment in the years ahead.

The government has nurtured hopes that private investment flows can stimulate employment as the public sector scales down — hopes

that were somewhat dented by the Asian crisis. But tourism is still booming, with 15 percent annual growth in the past two years, bringing the number of visitors to a record 550,000 last year. The government hopes to see continued growth in hotel and resort construction, even if the island has to lose its “exclusive” tag in the process as more middle-market hotels spring up around the coast. The authorities are nevertheless well aware that there is a limit to the number of visitors the island can accommodate without damaging either the environment or the quality of the tourist’s experience.

Maximum impact
There is also vitality in the sugar industry. The country’s dominant agricultural crop is close to maximum output, having turned out 620,800 tons in 1997, but is not yet at maximum efficiency. The crop has recovered well from bad weather in the early 1990s, and attention is now being turned to pioneering research into cane varieties,

planting techniques and irrigation.

Having had years of preferential access and guaranteed prices in the European market, the industry hopes to be fully prepared for the likely erosion of preferences early in the next century. In the process, Mauritius is developing the kind of sugar industry expertise that is much in demand in Southern Africa, especially Mozambique and Zimbabwe.

It is a sign of the times that Mauritian companies are increasingly venturing into countries like Madagascar, Mozambique and Tanzania with a view to providing both expertise and finance.

“We shall make sure that Mauritian investment abroad will have the maximum impact in terms of benefits to our country without damaging our own industrialization process,” says Mr. Bunwaree.

Mr. Bunwaree underscores the government of Mauritius’ commitment to SADC, the Common Market of East and Southern Africa (COMESA) and the Indian Ocean Commission — as well as to the recently-formed Indian Ocean Rim Association for Regional Co-operation. ■

OFFSHORE BUSINESS IS A CENTRAL FINANCIAL PILLAR

The island’s location makes it a link between Africa, Europe and Asia, and it has the ability to bridge the cultural gaps.

For Mauritians, offshore business is a fact of life. Tourism accounts for nearly a quarter of the country’s annual hard currency earnings. Port Louis is an important port for fishing fleets from all over the world, and the island community has strong links with Mauritians living abroad, in Europe, the United States, Australia and Southern Africa.

Offshore business has been the stimulus for a successful economic strategy that started in the 1970s with the Export Processing Zone. The strategy has come of age in the 1990s with the establishment of the Mauritius Offshore Business Activities Authority (MOBAA) and, most recently, the Mauritius Freeport Authority. Perhaps most important is the island’s network of double-taxation treaties.

The first major beneficiary of this innovative investment route has been the increasingly liberalized economy of India. Mauritius has become the registered location of about 40 active India-oriented funds, and the offshore banks based in Port Louis handle billions of dollars’ worth of investment funds for India every year.

As horizons have expanded, both China and South Africa have also come into the picture.

The offshore sector has survived the Asian economic crisis relatively unscathed. “Ironically, events have operated in our favor,” says Mario Hennequin, deputy manager of Barclays Offshore Banking in Port Louis. “We have had increasing numbers of approaches from companies with previous substantial commitments in that area and who are now

looking to place their funds elsewhere.”

The anticipated passage through the Mauritius Parliament of strong anti-money-laundering legislation should do much to enhance the credibility of the country as a dependable channel. The banks are also working hard to diversify their products to suit the needs of the market.

For the time being, India looks set to remain the principal investment target for offshore funds moving through Mauritius, accounting for an estimated 75 percent of the resident offshore

banks’ business. “India has been a stepping stone in the development of the necessary financial infrastructure and competence in Mauritius,” says Bruno Lalanne of Hong Kong and Shanghai Bank’s Port Louis unit. “China and South Africa are now the obvious targets, thanks both to double-taxation treaties and to good geography.”

An important factor in favor of Mauritius is its ability to bridge the gaps between the banking cultures of Asia, Africa and Europe as well as the language divide between English and French. For

Southeast Asians looking for opportunities in Africa, Mauritius is the obvious first stop.

While tax efficiency and good chemistry drive the fortunes of offshore finance, prospects for the new freepoint are driven by geography. Exploiting the country’s position as a three-way access point between Africa, Asia

and Australia, this special duty-free zone provides facilities for light assembly, break-bulk repackaging and warehousing activities. The zone is serviced by an international merchandising center. The freepoint’s turnover is surging; it has more than doubled each year and is forecast to exceed \$400 million this year. ■

“MAURITIUS”
was produced in its entirety by the Advertising Department of the International Herald Tribune.
WRITER: Richard Symge, an Africa specialist based in Cambridge, England.
PROGRAM DIRECTOR: Bill Mahder.

MAURITIUS FREEPORT

The Indian Ocean Logistics Platform

The Mauritius Freeport is a customs duty-free zone located at the sea port and airport where goods can be imported, stored, processed and re-exported with minimum bureaucracy. The Mauritius Freeport offers to potential investors state of the art logistics facilities consisting of more than 55,000 square meters warehousing space, cold room facilities and an International Trade and Exhibition Centre.

- Companies that set up storage, assembly and marketing activities at the Mauritius Freeport will enjoy these tangible benefits:
- A zero rate tax on the corporate profits
 - Dividends not taxable
 - Exemption from customs duties on all goods imported into the Freeport Zone
 - Free repatriation of profits
 - 100% foreign ownership
 - Access to a regional market of 300 million consumers with an export potential of US \$45 billion, through membership of the Common Market for Eastern and Southern African Countries (COMESA), the Southern African Development Community (SADC) and the Indian Ocean Commission (IOC)



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E-mail: freeport@bow.innet.mu
Web site: <http://www.mauritius-island.com/mfa>
<http://www.mauritius-freeport.com>

Paradise begins in Air Mauritius



The smoothness of a trip, the warmth of a service and the promise of a dreamland... Air Mauritius

AIR MAURITIUS

Air Mauritius Centre, President John Kennedy Street, Port Louis, Mauritius.

Wednesday's 4 P.M.
 e 1,000 most traded National Market sec
 terms of dollar value, updated twice a
The Associated Press.

Year	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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ASIA/PACIFIC

Rashid Sets Accord to Purchase Sime Bank

KUALA LUMPUR — Financial services giant Rashid Hussain Bhd. has agreed to buy ailing Sime Bank Bhd., in Malaysia's biggest banking merger ever.

Rashid Hussain plans to buy Sime Darby's 60 percent stake in the bank as well as KUB Malaysia's 30 percent interest for \$52.4 million ringgit (\$218 million), Rashid Hussain said late Tuesday.

Rashid Hussain said that once the purchase was completed, it would merge Sime Bank with its own commercial banking arm, RHB Bank. Sime Darby will receive a stake in the merged entity.

Sime Darby is one of Malaysia's largest diversified companies with a wide range of interests, including in plantations and property.

Sime Darby did not say how much it would own in the new company but said the new company's shares would be priced at 2.50 ringgit each.

Executives at Sime Darby and Rashid Hussain were not available for comment.

The deal would be Rashid Hussain's second big takeover in a year and catapult RHB Bank Bhd. from third into second ranking among Malaysian banks, behind Malayan Banking Bhd.

Rashid last year merged medium-sized Kwong Yik Bank with its DCB Bank to form RHB Bank.

The deal effectively saves Sime Darby, which announced a net loss of 676.2 million ringgit for the six months to the end of 1997, from having to inject at least 1.2 billion ringgit of fresh capital into Sime Bank to restore its health.

Analysts said Rashid appeared to have paid a premium.

"Both the depositors of Sime Bank and the shareholders of Sime Darby should be able to sleep well now," Jupiter Securities said in an analysis of the deal.

"We generally feel this is good for Sime Darby," a banking analyst said. "But Rashid is buying a mess."

The takeover also appears to mark an end to any possibility of a merger between RHB Bank and Bank of Commerce, owned by Commerce Asset-Holding Bhd. They had been in talks.

Sime Darby said it would have a loss of 246 million ringgit because of the sale of its bank stake.

Sime Darby shares have been suspended since March 3.

(AP, Reuters, Bloomberg)



Cathay Pacific Airways Reports Lower Profits in '97

Peter Sutch, chairman of Cathay Pacific Airways Ltd., reporting Wednesday in Hong Kong that declining passenger loads and currency devaluations sent the company's net profit down 55.5 percent in 1997, to 1.69 Hong Kong dollars (\$218 million), on a 2.9 percent decline in revenue, to 30.65 billion dollars. The airline also posted a one-time loss of 347 million dollars in 1997, linked to provisions for severance payments.

Soothing Comments From IMF On Indonesia Hearten Markets

COMPTON — Seeking to defuse a confrontation with Jakarta, the deputy director of the International Monetary Fund, Stanley Fischer, said that he saw "room for flexibility" in negotiations over Indonesia's \$43 billion bailout.

His remarks Tuesday helped drive up stock markets Wednesday in East Asia, including Manila, Seoul and Taipei, as the rupiah and other regional currencies rallied on hope that a stand-off between Indonesia and the International Monetary Fund over economic reforms might be ending.

Mr. Fischer said the Fund was willing to adjust the targets Indonesia set for its budget deficit and monetary policy and also allow Jakarta to continue some basic food subsidies.

"For things which are essential for the poor, I'm sure the Fund would show considerable flexibility," he said.

The comments did not represent a substantial retreat by the Fund, as IMF officials have made clear for some time that Indonesia's economic program might have to be changed

to reflect the country's worse-than-expected economic outlook.

"That flexibility is just inherent in every IMF program," Mr. Fischer said.

But the conciliatory tone came after warnings by IMF and Clinton administration officials that the next installment of Indonesia's bailout is in danger because of President Suharto's failure to fulfill his promises to the Fund to eliminate monopolies and cartels benefiting his children and cronies.

The majority leader of the U.S. House of Representatives, Richard Armitage, said Congress might delay a vote to approve \$18 billion in funding for the IMF sought by the administration, in part because of Indonesia's lack of commitment to reform.

In an indication that his fellow Republican leaders were toughening their bargaining stance with the White House, the Texas said the funds probably would not be included in a supplemental budget bill scheduled for a vote soon.

Japan will urge Mr. Suharto this weekend to adopt the IMF measures fully, a diplomatic source said.

Tokyo announced Wednesday

that Prime Minister Ryutaro Hashimoto will travel to Indonesia this weekend for talks with Mr. Suharto about the country's economic crisis.

Mr. Hashimoto will convey the expectation of the Japanese government that Indonesia should implement the IMF program," the source said, "and at the same time make it clear that the Japanese government continues to support reform efforts by Indonesia."

Hong Kong stocks posted their biggest gains in almost two weeks, with the benchmark Hang Seng Index rising 2.02 percent, pacing the rallies in many Asian markets that followed the IMF comments.

The benchmark index in Singapore rose 2.06 percent.

The rupiah stabilized, with the dollar falling to 10,550 rupiah from 10,950 on Tuesday. But stocks were mixed in Jakarta, with the Composite Index rising 1.39 points to 491.87.

"People are still uncertain about what's going to happen in Indonesia, so they are turning their focus to selective stocks," said Kelvin Tang of Impac Asset Management (H.K.) Ltd. (WP, Bloomberg, Reuters)

Japan Surplus Surges as Yen Loses Ground

TOKYO — Japan's current account trade surplus in January soared 212.8 percent from the same month last year as booming shipments to the United States and Europe helped offset a slump in exports to Asia, the Finance Ministry said Wednesday.

The surplus, which was not adjusted for seasonal factors, totaled 476.2 billion yen (\$3.74 billion). That was below a 574.9 billion yen forecast by economists.

The latest numbers reflect the low demand for imports in Japan due to a sluggish economy and recent weakness in the yen's value against the U.S. dollar, which has made Japanese exports more competitive overseas.

Japan has faced growing pressure from the United States and other major trading partners to trim its surplus by implementing economic policies designed to stimulate domestic demand.

The current account balance is the difference between income from foreign sources and foreign obligations, excluding net capital investment.

Japan's largest automobile, electronics and machinery makers are trying to take advantage of a weak yen and strong demand in the West while sales fall in other parts of Asia and the domestic economy slides.

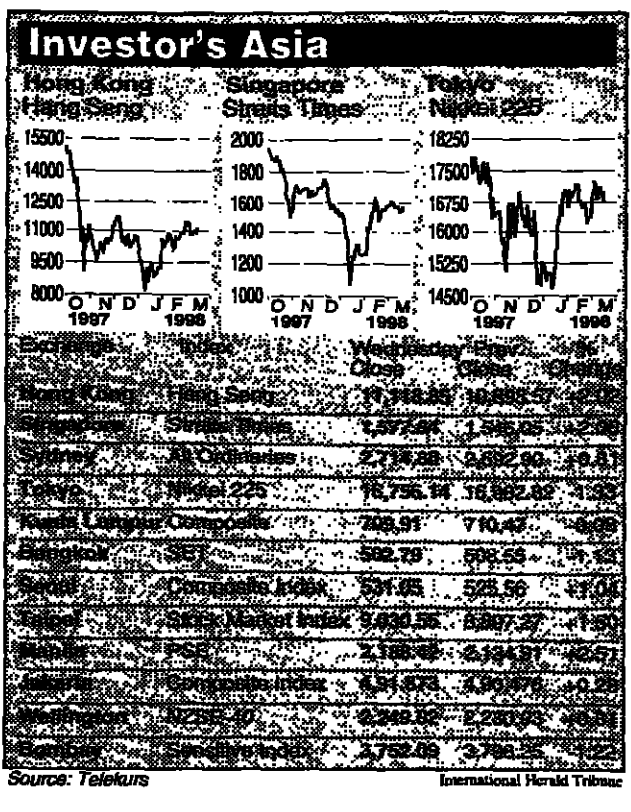
"The financial crisis in Southeast Asia and the relative instability of the Japanese market have created uncertainty and a loss of business confidence in what was the fastest-growing region in the world," said Nobuhiko Kawamoto, president of Honda.

Trade friction has heightened with corporate Japan's strategy of increasing exports to the United States and Europe, where officials have continually called on Japan to bolster domestic spending and not rely on exports for growth.

Yet traders and others expect exports to the West to remain brisk as automakers and other assemblers continue to depend on overseas sales to offset a consumer spending slump at home.

The growth of Japan's surplus is being held in check by a decline in exports to Asia. More than 40 percent of Japan's exports are to Asia, and with the value of the Indonesian rupiah, the South Korean won and other currencies plunging, Japanese machinery, car and electronics makers are selling fewer of their wares in the region.

"There are indications the fall in demand following the currency crises will be more prolonged than originally expected," said Katsuhiko Kawasoe, president of Mitsubishi Motors Corp. (AP, Bloomberg)



Very briefly:

- New Zealand's energy minister, Max Bradford, is expected to announce a government investigation into the blackouts and power cuts in Auckland that have lasted 20 days, as more than 600 companies prepared to sue Mercury Energy for compensation for business lost during the outages.
- Nomura International (Hong Kong) Ltd. said its portfolio managers would cease to manage the Epic Fund, a Hong Kong-based hedge fund. Fifteen employees will be laid off.
- Bangkok Sentral ng Pilipinas, the Philippines' central bank, ordered banks to raise their capital by as much as 75 percent within two years to strengthen their ability to withstand financial shocks.
- Mobil Sekiyu KK, the Japanese unit of Mobil Corp., reported a net loss of 6.8 billion yen (\$53.2 million) for 1997. It attributed the loss to a decline in sales of petroleum products and a loss taken on the introduction of an early retirement program, which cut its work force by about 20 percent.
- Standard & Poor's Corp. revised down the foreign currency rating outlooks of four major Chinese financial institutions — Industrial & Commercial Bank of China, Bank of China, Bank of Communications and China International Trust & Investment Corp. — citing strains from possible slower economic growth.
- Ryohin Keikaku Co., the operator of "Muji" stores in Japan, Britain, Singapore and Hong Kong, will report a 31 percent increase in current profit for the year ended Feb. 28, to 7 billion yen, after shutting 10 shops and opening 26 bigger outlets. (AP, Bloomberg, Reuters)

Mitsubishi Share Skids On Prediction of Loss

TOKYO — Shares of Mitsubishi Motors Corp. fell 13.8 percent Wednesday, a day after the company lowered sales estimates and sharply increased the projection of its first annual loss in 24 years.

Mitsubishi shares fell 65 yen Wednesday, to 405 yen.

The company is the first of Japan's largest auto manufacturers to announce dramatically weaker financial results. Nissan Motor Co. has hinted to analysts that it will also turn in a worse-than-expected performance but has not yet officially revised its numbers. Toyota Motor Co. and Honda Motor Co. are expected to do well, and Mazda Motor Corp. has said that it will meet projections.

The announcement by Mitsubishi starkly illustrated the predicament of the country's automotive industry, which has suffered sharply reduced sales because of the Asian financial crisis and the economic slump at home. Mitsubishi has been further hurt because of its large heavy-truck business, an economically sensitive business whose only export market is Asia.

Mitsubishi said that austerity measures announced Tuesday — including plant closings in Thailand and New Zealand, a 12 percent reduction in its work force, and suspension of the dividend for the current financial year — were designed to save 350 billion yen (\$2.75 billion) over the next three years and return the company to profitability in the next financial year, which ends on March 31, 1999. (NYT, Bloomberg)

JAPAN: Central-Bank Chief Imperiled After Arrest of Official

Continued from Page 1

service said. Bank of Japan offices in New York and Washington had no comment on the report.

Some bankers worried that the financial system might become more vulnerable to sudden shocks if Mr. Matsushita resigns, while others were concerned about the attack on the bank's credibility.

"There is no case like this among any other central banks in the developed world," said an executive at a Japanese bank. "This is real insider trading."

The raid by prosecutors was the first

since the Bank of Japan was set up in 1882, and no bank governor has ever resigned in a similar kind of scandal.

A number of senior executives in the Liberal Democratic Party had been calling for the resignation of Mr. Matsushita, mainly because of his close association with the Finance Ministry, where he once held the post as the top bureaucrat and which is now suffering from its own scandals.

Mr. Matsushita's five-year term as governor runs until 1999. The governor initially resisted calls for his resignation Wednesday, saying he felt a "grave responsibility" and would do his utmost to restore public confidence in the bank. But Prime Minister Ryutaro Hashimoto reportedly expressed his displeasure over the incident, and this probably prompted Mr. Matsushita's change of heart.

"I am agonizing over how we can deal with international meetings which the governor of the Bank of Japan attends," Mr. Hashimoto said, as reported by Tokyo Broadcasting System.

Economists and analysts said that the bank's role in macroeconomic policy was unlikely to be affected, partly because there is little debate over the monetary policy it is now pursuing. But some bankers said that how the bank dealt with the crisis in the next few days would be critical to deflating concerns over the bank's ability to steer itself back into smooth waters.

About 80 prosecutors participated in the raid, carting out boxes of documents, and many stayed at the bank until late evening, pouring over materials and searching for related evidence. Several other central bank officials are also believed to be the focus of prosecutors' investigations. Central bankers immediately tried to downplay concerns, and

the bank issued a statement by Mr. Matsushita, saying that the bank planned to carry out its own investigation, as well as that of the prosecutors.

"As far as this division is concerned, we continue to pursue our responsibility to maintain financial system stability," said a Bank of Japan official who works in the department that oversees the financial system.

"We have to do what we're supposed to do. Life must go on," he added.

Mr. Yoshizawa is accused of having been lavishly entertained by major banks in exchange for leaking information on the bank's daily money-market operations, which guide overnight and short-term interest rates.

By gaining advance information on the bank's sales or purchases of government bonds, banks can better forecast the direction and level of interest rates, thereby making significant amounts of money by trading on that information.

Mr. Yoshizawa also allegedly passed on information about the Tankan survey, which depicts the state of the economy, which could also have helped banks forecast the direction of interest rates.

In return, Mr. Yoshizawa was said to have been entertained on 59 occasions over four years for a total of 3.18 million yen (\$24,900) by the Industrial Bank of Japan Ltd. and on 30 occasions for a total of 1.12 million yen by Sanwa Bank Ltd.

In an interview with Kyodo News Service before his arrest, Mr. Yoshizawa denied allegations he had received "excess" entertainment or that he granted special favors to the banks.

"I recognize that it was within the scope of social courtesy," Mr. Yoshizawa told Kyodo. "I have never received excess entertainment."

COSTA RICA: High-Tech Look

Continued from Page 11

moving was that wages in Costa Rica were too high.

Still, Costa Rica has developed a niche as a technology hub, one that in some respects insulates it from the changing political and social winds in the region. "We are building a competitive advantage and we do not see why we cannot continue to compete and be successful," said Enrique Egloff, director of the private-sector Coalition for Development Initiatives.

Technology companies are not the only ones that see advantages to operating in Costa Rica. "They can guarantee that investments will be safe, which allows you to concentrate on commercial issues like marketing, pricing and who is my competitor," said Jose Bonilla, finance manager for Monsanto Co. at its Central America office in Costa Rica, which handles the distribution of its herbicides, pharmaceuticals and sweeteners.

Executives point out that Costa Rica has been effective in touting the advantages of running complex businesses in a small country, where they have greater access to government officials than in many larger nations such as Mexico, Brazil and Chile.

"In Intel's eyes, Costa Rica showed us the fact that small is beautiful," said Danilo Arias, public affairs manager here for Intel. The Santa Clara, California-based computer-chip giant considered Mexico and a number of other countries before deciding to invest \$500 million in a new complex in Costa Rica — the largest investment to date in this nation by a single corporation. Mr. Arias added that, overall, "the country has been very clever at looking at itself and evaluating its strengths and weaknesses."

These weaknesses include a pressing need for extensive infrastructure improvements.

China Steel Mills Discuss Merger

SHANGHAI — China's two most profitable steel companies said Wednesday they might merge as part of the country's drive to increase efficiency.

The proposed merger, initiated by Wuhan Iron & Steel Works, has been accepted tentatively by Baoshan Iron & Steel Corp., said Bi Chenshu, director of Wuhan's securities department.

"Merging the two most profitable steel companies will cut down product overlapping," she said.

China's steelmakers are hit by falling prices, overproduction and increasing competition from South Korea.

The Solution

Imagine that you un-wrap the cylinder and flatten it.

Source: USA Third International Mathematics and Science Study, 1995-96

This is the answer to the mathematical problem on Page 10.

REPUBLIC OF LEBANON MINISTRY OF MUNICIPAL AND RURAL AFFAIRS COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION SOLID WASTE / ENVIRONMENTAL MANAGEMENT PROJECT INVITATION FOR TENDER

PACKAGE 8a: CONSTRUCTION OF A SANITARY LANDFILL

The Republic of Lebanon has received a loan (No. 3899-LIB) from the International Bank for Reconstruction and Development (IBRD) towards the cost of the Solid Waste / Environmental Management Project (SWEMP) for Lebanon and intends to apply part of the proceeds of this loan to cover eligible payments under the contract for the above mentioned package for the construction of the sanitary landfill.

The Government of Lebanon, represented by the Ministry of Municipal and Rural Affairs and the Council for Development and Reconstruction (CDR), invites sealed bids from eligible contractors for the construction of a sanitary landfill including earthmoving works, concrete works, structural steel works, and waterproofing works using geomembrane (HDPE) / geotextile.

This project will be administered by CDR, based upon the World Bank's guidelines. Contractors who have already undertaken similar projects are invited to apply for the above mentioned project and will be subject to Post Qualification according to the criteria stated in the bidding documents.

Bidding documents may be purchased at the Council for Development and Reconstruction, Tallet el Serail, Beirut, Lebanon, phone: (961-1) 981-431 / 2, facsimile: (961-1) 647-947 - 864494, for a non refundable fee of US\$ 500 (five hundred) or its equivalent in a freely convertible currency in the form of a banker's certified check in the name of the Council for Development and Reconstruction starting on Thursday 12th of March 1998 after Bid opening and must be accompanied by a security of US\$ 50,000 (fifty thousand) or its equivalent in a convertible currency, and shall be delivered to: Council for Development and Reconstruction, Tallet el Serail, Beirut, Lebanon, on or before twelve o'clock (noon, Beirut local time) on Tuesday 28th of April 1998. Bids will be opened at twelve o'clock (noon, Beirut local time) on the same day in the presence of the bidders who wish to attend.

LUXOR INVESTMENT COMPANY Société d'Investissement à Capital Variable 10A, Boulevard Royal, Luxembourg R.C. Luxembourg B 27.109

NOTICE OF MEETING

Notice is hereby given that an Extraordinary General Meeting of the shareholders of LUXOR INVESTMENT COMPANY will be held at the Registered Office in Luxembourg on Monday 23rd March, 1998 at 2 p.m., for the purpose of considering the following Agenda:

- To resolve on the liquidation of the Company.
- To appoint a liquidator and to determine his powers.
- To suspend the calculation of the net asset value.
- To suspend all subscriptions and repurchases of shares.
- To convene an Extraordinary General Meeting which will rule on the following agenda:
 - To approve the liquidator's report and the statement of liquidation of Luxor Investment Company (in process of being liquidated).
 - To approve the payment of the creditors and the distribution of the remaining net assets to the shareholders, after payment of the debts.
 - To appoint an auditor.
 - To convene an Extraordinary General Meeting which will rule on the following points:
 - approval of the auditor's report;
 - discharge to be granted to the liquidator, the auditor and the Board of Directors;
 - resolution concerning the final liquidation of the Company;
 - the keeping of accounts and company documents.

Proxy forms are available upon request at the Registered Office. In order to be valid, proxy forms duly completed must be received at the registered office on 20th March, 1998 at 2 p.m. at the latest. In order to attend the meeting, the owners of bearer shares are required to deposit their shares not less than five clear days before the date of the meeting at the Registered Office.

By order of the Board of Directors

VICTOIRE ARIANE

20, Boulevard Emmanuel Servais, L-2535 Luxembourg
R.C. Luxembourg B 34.296

AVIS AUX ACTIONNAIRES

Messieurs les actionnaires sont convoqués par le présent avis à l'ASSEMBLEE GENERALE ORDINAIRE DES ACTIONNAIRES qui se tiendra au siège social à Luxembourg le 31 Mars 1998 à 15h00, avec l'Ordre du jour suivant:

ORDRE DU JOUR

- Compte rendu d'activité du Conseil d'Administration pour l'exercice se terminant le 31 Décembre 1997;
- Rapport du Réviseur d'Entreprises pour l'exercice se terminant le 31 Décembre 1997;
- Adoption des comptes de l'exercice se terminant le 31 Décembre 1997;
- Affectation du résultat de l'exercice se terminant le 31 Décembre 1997;
- Décharge aux Administrateurs et au Réviseur d'Entreprises pour l'exercice se terminant le 31 Décembre 1997;
- Rédaction des organes sociaux:
 - Rédaction du Réviseur d'Entreprises;
 - Rédaction du Réviseur d'Entreprises;
- Divers.

Les actionnaires sont informés qu'aucun quorum n'est requis pour cette assemblée et que les décisions sont prises à la majorité simple des actions présentes ou représentées.

Chaque action a un droit de vote.

Tout actionnaire peut voter par mandataire. A cet effet, des procurations sont disponibles au siège social et seront envoyées aux actionnaires sur demande.

Afin d'être valables, les procurations doivent être signées par les actionnaires et être envoyées au siège social afin d'être reçues le jour précédent l'assemblée à 17 heures au plus tard.

Les propriétaires d'actions au porteur, désirant participer à cette assemblée, devront déposer leurs actions cinq jours ouvrables avant l'assemblée au siège social de la société.

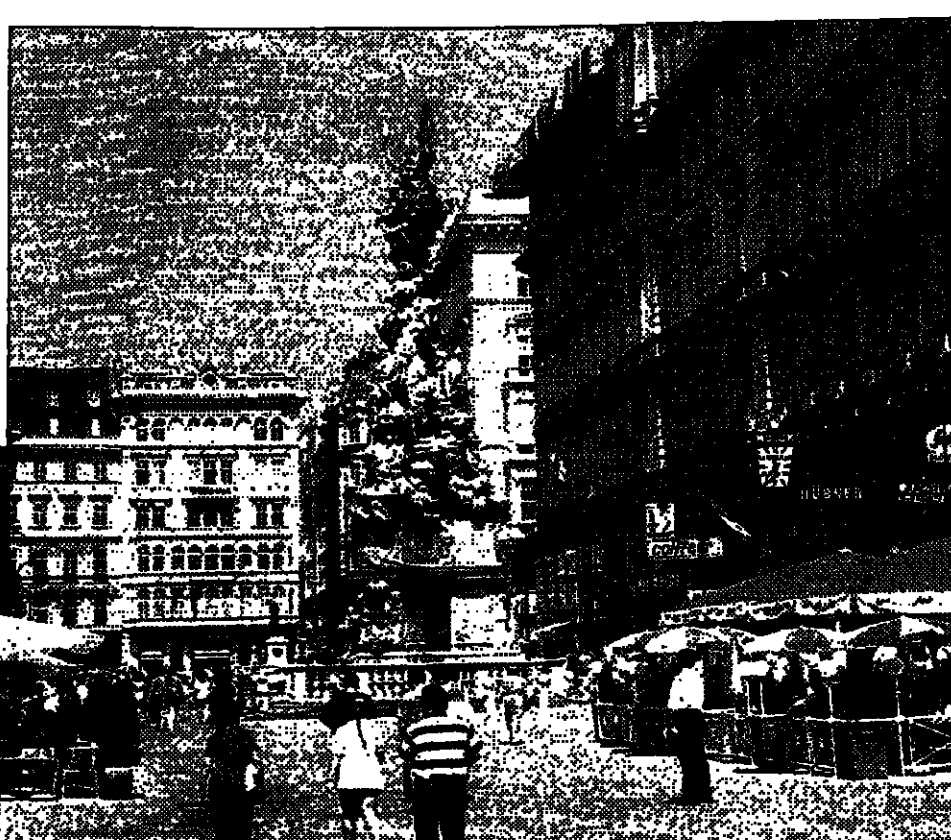
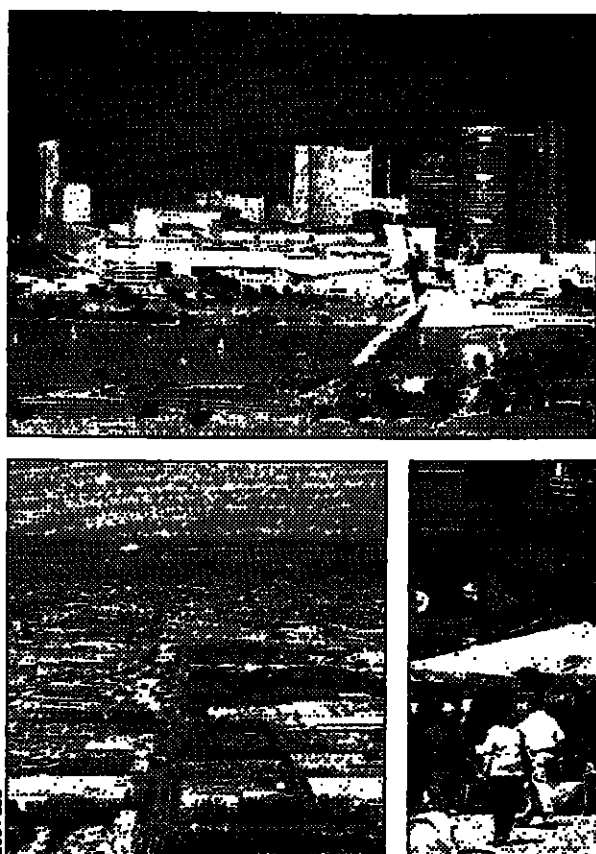
Les actionnaires désireux d'obtenir le Rapport Annuel Audité peuvent s'adresser au siège social de la société.

Pour la société,
BANQUE DE GESTION EDMOND DE ROTHSCHILD LUXEMBOURG
Société Anonyme
20, Boulevard Emmanuel Servais
L-2535 LUXEMBOURG

BUSINESS LOCATIONS IN EUROPE: VIENNA REGION

The city of Vienna and the Vienna Region offer international firms the sophisticated infrastructure, skilled personnel and cutting-edge business locations they need to succeed in today's competitive global economy.

Clockwise from top left: The Danube City project (model); central Vienna; Haas House and St. Stephen's Cathedral; the IZ NO-Süd Wiener Neudorf business park in Lower Austria.



TOP FIRMS PROSPER IN LOWER AUSTRIA

Business parks respond to investor needs.

When it comes to choosing a location, the investor always knows best," says Theodor Krendelsberger, who is in charge of Industrial Parks in Lower Austria for the regional development agency Eco Plus. And the agency's track record through more than 35 years in the business shows that Eco Plus has got its priorities right.

To date 360 companies have been established in Eco Plus business parks in the federal province, the largest sector of the Vienna Region. What is more, Lower Austria can point to a significantly higher economic growth rate of 2.8 percent during the past year, compared with the overall Austrian average of 2.0 percent.

Fully equipped business locations

Most of the settlers have been accommodated in one of seven business parks, covering a total area of 5,250,000 square meters (56,490,000 square feet). Far and away the largest of these is located at Wiener Neudorf, immediately to the south of Vienna. It houses no less than 280 enterprises and provides employment for 10,000 people. Isovolta, Dart Industries (Tupperware), Castrol, Duracell, Toshiba Medical Systems and Kenwood are among the big names serving customers in Austria as well as in the countries of Central and Eastern Europe (CEE). The latest addition to the Eco Plus network of business parks, at Bruck/Leitha, will be welcoming its first occupant on April 3: Volvo Trucks of Sweden, which is setting up a spare parts depot there.

Volvo's managing director for Austria, Lennart Piskog, is convinced that the Lower Austria location offers not only an ideal approach to the markets of Central and Eastern Europe but also, from the other direction, constitutes an entry point into the EU single market. A not inconsiderable advantage was the speeding up of the formal approval procedure, promised, and realized, by Eco Plus.

As a business location, the 43-hectare (106-acre) site at Bruck/Leitha, equipped with complete infrastructure, could hardly be better. Not only is it in the rapidly developing eastern fringe of Austria, but it is also near the highway and on the main railway line from Vienna to Budapest, only 10 minutes away from Vienna Airport and close to the Danube, with a great river-freight potential.

Looking east

There can be no doubt that Austria in general is now profiting from the eastern opening. Lower Austria in particular is anxious to exploit this trend to the fullest. Potential possibilities in this respect far outweigh the supposed threat posed by cheaper labor availability in neighboring countries to the east. One of the biggest groups to have approached Eco Plus recently, however, opted for a location outside any of the business parks. It is Atmos Petrochemicals, a subsidiary of the Dahin Group of Taiwan, which was assisted in the purchase of a former Petrochemie Danubia plant at Schwechat in Lower Austria, to the east of Vienna.

Since 1996, Atmos has used the facilities to secure a long-term supply of PA (phthalic anhydride), an essential intermediary material in the production of plastics, paint and printing inks. Kevin Liu, managing director of Atmos, is unreservedly enthusiastic about the Lower Austrian venture. "Our production of PA in Schwechat has been profitable from the start. The location is ideal as regards its traffic connections. There are direct flights between Vienna and Taipei. And the Austrian authorities were flexible and very supportive of our project from the start," he says.

He is referring to Eco Plus's handling of requests for the necessary residence permits for management staff and their families — the standard quota for employees from non-EU countries had been exhausted. This is one of the many services that Eco Plus provides for its partners in Lower Austria.

David Hermges

STRONG MARKET FOR OFFICE SPACE

Large-scale transactions boost real estate sector.

Vienna's commercial real estate market has been on a steady roll for the past 15 years, and, with a spate of large-scale transactions, the sector picked up further steam in 1997.

In what was the largest real-estate transaction in recent Austrian business history, a subsidiary of the locally owned Constantia Privatbank AG acquired the Business Park Vienna, paying \$240 million and beating out the Commerz Grundbesitz Investment Ges. mbH, the Viennese real-estate arm of the powerful German banks.

Undertaken, the Germans went on to purchase a large-sized inner-city office building of their own, outbidding a Dutch group for it. All told, the Germans made four such acquisitions in 1997, with a further 10 being planned for 1998, reports Handelsblat, the German business daily.

New projects
The strength of Vienna's real estate market is directly dependent upon the healthy state of its economy as a whole. According to a study published by Creditanstalt in late 1997, the Vienna economy's ongoing upswing is being driven by its high-tech companies. They require further office, production and logistics space to accommodate their growing operations.

For Vienna's commercial real estate market, 1998 and beyond will also be years of building, should all go according to plan.

The list of projects planned for construction are many, and include a \$240 million professional training and hotel center, to be located in Vienna's southern region. There is no doubt, however, which of these many projects is the most important, in terms of volume, physical size and prestige. Eurogate-Vienna will occupy 28 hectares of what is currently largely undeveloped land. Once used by the country's rail transport authority, the site is located in the city's third district, to the southeast of its downtown.

City within a city
Eurogate will be developed by a public-private consortium. Its master plan has been created by Sir Norman Foster, one of the world's most renowned architects.

Presented in late February 1998, the master plan foresees the creation of an entire new city-in-a-city, at a cost of \$1.17 billion.

Open only to pedestrian traffic and linked by mass transit and superhighways, the neighborhood will feature a mix of office buildings, schools and other educational institutes, hotels, apartment buildings and specialized manufacturers.

The new neighborhood will be centered around two 110-meter-high skyscrapers. They will face each other across the area's main boulevard, forming the "posts" of the Eurogate, in the architect's terms. Another key part of his vision is water. The heart of the site will be a teardrop-shaped pond, part of which will be on the space formerly occupied by the canal.

Construction on the project is set to begin in 2001.

CUTTING-EDGE COMPANIES AT HOME IN VIENNA

Top locations and services for high-tech firms.

According to forecasts made by Vienna's Institut für Höhere Studien (Institute of Advanced Economic Studies), Austria's economy is slated to grow at a 2.5 percent rate during the period 1998 to 2002, reducing the country's unemployment rate from 7.1 percent to 6.5 percent. As Vienna's economy traditionally matches the country-wide average, good times seem to be at hand for the city's companies and residents.

Yet Brigitte Ederer, president of the WWFF (Vienna Business Agency) and the municipal councilor responsible for managing Vienna's finances, feels that the city's industrial sector is still showing some unnecessary signs of weakness. Unnecessary because Vienna's academic community has steadily come up with exciting technological innovations — the wellspring of manufacturing success. But, she says, "The problem is that the fruits of the research conducted in the city are not being exploited by the local manufacturing companies."

Fostering innovation

This problem is common to all of continental Europe. Vienna has taken a number of measures to solve it.

A \$20 million municipal venture capital fund was set up in 1997 to launch new technology companies. Many of the products manufactured by these companies will be developed at what Vienna calls its new "centers of expertise," which have been created to foster innovations in the communications and life sciences sectors.

The WWFF also administers a wide range of investment support funds, which have been restructured to give priority to promoting high-tech start-ups.

In addition, the city is developing purpose-built locations for high-technology companies. Construction on one such project, the \$58 million Techgate technology park, is set to be launched in the second half of 1998. Techgate is part of the city's huge Danube City development area, located near the Vienna United Nations center and slated to regroup business, commercial and residential locations and a university specializing in high technology. Danube City's first completed project, a strikingly modern skyscraper dubbed Andromeda, will be open for business later this year.

With hundreds of high-tech start-ups already located in Vienna — such as Top-Cal or ASA-Hydraulik — why does the city need to step up innovation support, and why the concern about Vienna's industrial community?

Says Ms. Ederer: "Because the high-tech start-ups, viewed collectively, are being asked to do a very big job: to offset the large-scale shrinking of the city's traditional manufacturing sector. We already have many start-ups, and they're already appreciably compensating for the decline in the numbers of people employed by the traditional manufacturers. We need many more new companies to return the industrial sector's employment to traditional levels — and to complete the transformation of our manufacturing base."

Founded in 1986, MTE Messgeräte-Entwicklungs- und Vertriebsges. mbH is one of the city's new-look manufacturers. Its laser-based sensors can measure the thickness of glass at one micrometer and are becoming standard equipment for such companies as Germany's Schott, the world's most important producer of glass for telescope lenses and other highly precise applications.

Braincon is another young Viennese manufacturer. Its



main product is the Braincard, a smart card used both as an electronic wallet and an identity card that gives its owner access to security-controlled areas, on-line payment systems and health-care systems. Smart cards are already in wide use around the world. The Braincard's chief selling point — its universality of application — stems from innovative software developed by Braincon.

Software cluster

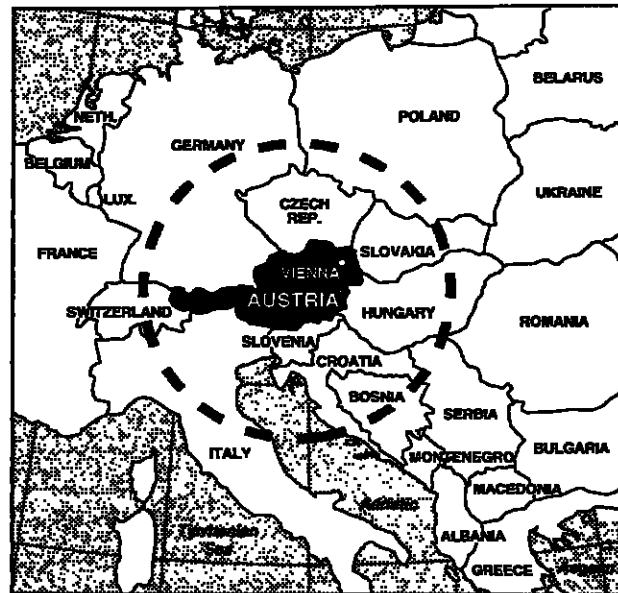
One of the Vienna business community's chief products, software is traditionally included in the services rather than the manufacturing sector. After years of strong growth, the city's software cluster has reached an appreciable size. This growth is the reason behind Vienna's recent increase in job openings. According to Austria's Central Office of Statistics, as of the end of January 1998, this figure was up 28 percent over that of the previous year. This rise has raised hopes that the city's 9.7 percent rate of unemployment could be set to drop.

The software cluster is made up of companies like Frequentis. Now in the process of expanding throughout Europe, the Vienna-based company employs 220 and is the continent's leading provider of the fail-safe data and voice communications systems used in air traffic control systems. Frequentis's products are credited with having greatly increased the safety of Europe's air routes. One of the company's recent commissions was the re-equipping of Sarajevo Airport's air control tower. AAA+ has developed software providing another kind of security. This software allows investors to ascertain the level of risk associated with a current or potential financial, real estate or other business projects. In a world full of collapsing economies and banks, AAA+ products are in high demand.

And why do these companies do so well in Vienna?

Says Klaus Fischbacher, WWFF's chief executive: "The business conditions in Vienna leading to the thriving and proliferating of the software cluster are precisely those that make the city so attractive to foreign investors. These include a wide availability of skilled personnel and reasonably priced commercial real estate. These are backed up by our business location services."

Terry Swartzberg



BRAIN POWER DRAWS INVESTORS

R&D is a major calling card for Viennese firms.

In 1996 and 1997, foreign companies invested \$2.5 billion in Austria. Accomplished mostly via takeovers, this was by far the best two-year total in the country's history, putting it at the top of the world's inward investment rankings, as calculated on a per capita basis. Vienna was a prime beneficiary of this inflow.

The Austria Business Agency reports that some 60 percent of the capital went to companies in the city, or was channeled by them to subsidiaries located elsewhere in the country.

Smart companies

This trend has come with a question: What's been motivating the foreign investors? To date, the most common answer has been that Austria's companies are inexpensive by world standards. Thanks to their conservative accounting procedures, Austrian firms have accumulated large amounts of hidden reserves — real estate and other holdings carried on their books at unrealistically low valuations.

A November 1997 study rebuts this viewpoint. Carried out by Austrian Management Consulting and the Institut für Höhere Studien (Institute of Advanced Studies) and covering the first half of the decade, the study finds

that "foreign corporations are mainly interested in companies whose expenditures for research and development have shown a steady rise."

According to the report, the companies are involved in the following sectors: chemicals, life sciences, electronics and communication systems, automotive and transport engineering, and environmental technologies. These sectors form the main components of greater Vienna's business community.

After a decade of activity, the foreigners' interest in buying up Austrian brain-power has achieved impressive dimensions. The study reported that at the end of 1995 foreign companies owned 89 percent of Austria's electronics and communication sector.

This figure was topped — by one percentage point — by that of the chemicals and life sciences sectors, which are counted together by the statisticians.

Less the impression arise that all of the country's business community is high-tech and in foreign hands, a counterexample. During the first half of the decade, Austria's metal-processing industry reduced its R&D expenditures by only 11.2 percent. At the end of 1995, it was 92 percent domestically owned.

T.S.

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BUSINESS LOCATIONS IN EUROPE: LYON

As investors return to the French real estate market, they are looking closely and critically at prospects for commercial real estate development. They are finding in Lyon a climate for investment that makes good business sense: expanding demand for office space and implantation sites, competitive returns, a healthy economy, and a city that is both investing in the knowledge industries of the future and developing its links with the broader Southern European region.

Clockwise from top: Greenhouses at the Parc de la Tête d'Or, next to the Cité Internationale; the Porte des Alpes development; the Place du Change, in the city's historic quarter.



'INTELLIGENT CITY' LINKS UP WITH EUROPEAN PARTNERS

Raymond Barre, former prime minister of France, was elected mayor of Lyon in June 1995 and was first elected a *député* from the city in 1978. In the following interview he discusses the city's advantages as a European base for companies, the integration of academia and research with industry, and Lyon's links with other cities and countries in Southern Europe.

What role does Lyon play on European and international levels?

A medium-sized city like Lyon can have a reach that is much longer than the size of its population would indicate. There are multiple factors involved. From my national and international experience, I can say that Lyon easily compares to European cities like Turin, Milan, Stuttgart, Amsterdam and Birmingham. I have been trying to make Lyon better known and to have its potential and its capacities recognized internationally. In this respect, the G-7 meeting (in 1996) helped us a great deal. The 2,000 journalists who were there discovered Lyon. And since then there has been an ongoing series of international meetings, many of them organized by foreigners who choose the city of Lyon. UNCTAD [the UN Conference on Trade and Development], to give one example among many, has decided to hold its summit meeting in Lyon at the end of this year.

What is the situation in Lyon's commercial property market?

Lyon did not have a "bubble" in the real estate sector that had to be reabsorbed with difficulty. There were, of course, repercussions from the real estate crisis that occurred in every country and in many cities. Now the market has found its balance, and we are seeing new demand for real estate. The Lyon market is attractive for both offices and residences. It's a positive element of the current overall economic situation of the Lyon region.

Why should companies consider Lyon as a European base?

Investors should come to Lyon only if it is to their advantage. If they come to Lyon they will see that it has a pleasant setting in terms of the quality of life; an impressive educational system; numerous companies that are creating a climate that is favorable to economic activity; research centers that look toward the future. Above all, they will find themselves in a geostategic position. Since the time of the Romans, Lyon has been at the heart of Europe.

Companies are welcomed to Lyon by specialized agencies that have been set up to encourage foreign investment. I don't believe in investments that are based on financial and tax advantages. An investment decision is for the long-term and should be based on a global analysis of the current and future situation. I think that this diagnosis is favorable to Lyon, as is shown by the number of companies that are making investments in Lyon.

What advantages does Lyon have in comparison with other French cities?

I don't want to enter into competition with other French cities. Foreign investment is important for France, and it is up to foreign investors to decide where they want to be. The list of investments made in 1997 and 1998 shows that many were made by companies already established in Lyon that are expanding their activity. SMI, for example, which belongs to the Japanese group Koyo Seiko, is increasing its investment in Lyon and plans to open a research center there that will cover all of France. Companies that invest in Lyon are increasingly discovering that they have an advantage in their proximity to northern Italy and Switzerland, but especially that they can operate in Southern Europe, where there is enormous potential.

What is very striking about investments in the Lyon region is that they are medium-sized investments that are directed toward long-term growth. That corresponds to the structure of the region, where there are many medium-sized enterprises that are in the process of becoming large enterprises. This is highly characteristic of the Lyon region. And we have noted that medium-large enterprises are growing and that foreign investors are interested in buying many medium-sized enterprises. The foreign investments — American, German, Swiss, Japanese — that have already been made are large investments made in a perspective of growth.

How would you like to see Lyon develop, and what is necessary to achieve this development?

Lyon has great potential. At the moment, I am stressing two essential directions. First, to make Lyon "the city of intelligence." We have outstanding universities, scientific *grandes écoles* and research centers. What I would like to see is the development of synergies between all these institutions; I think this is essential for the city. We want to make Lyon a center for health that starts with the research centers and ends in industry.

The second orientation is to make Lyon part of a network, to take it out of a purely unilateral position and develop links, on the one hand, with Turin and Geneva, and, on the other hand, with the centers of the Rhône-Alpes region, especially Saint-Etienne and Grenoble. And, finally, we would like to push toward the south through a partnership agreement with Marseilles.

The strategic position of Lyon allows it to be at the heart of a network of cities that covers the whole of the region. We also have excellent relations with Barcelona. We are setting up partnerships in all sectors: economic, financial and cultural. And we are trying to realize economies of scale. Instead of each city having its independent policies, we are trying to work together, to find common goals, and to play a role in a significant, important economic area with strong potential. Italy, Southern France and Spain now have greater growth capacity than areas in the center of Europe, which are already highly developed. We are making plans to bring Lyon into the 21st century.

Interview by H.E.

REAL ESTATE PROFESSIONALS SAY NOW IS THE TIME TO INVEST IN LYON

Choosy investors will find good commercial prospects in the city.

As the French real estate market creeps back to life, wise investors are once again beginning to take an interest in developing commercial properties, but with a difference. The willy-nilly speculative buying that was the norm during the boom years of the late 1980s is out, along with the overcautiousness that followed during the recession of the first half of the 1990s.

Now that demand is rising and stocks of available space are at a low point in many markets, confidence is growing, but investors are doing their homework before sinking their money into new projects.

Lyon is one of the French cities that is ripe for investment, according to Paul Boursican, an investment partner at Jones Lang Wootton Paris. "The French market is much more professional now," he says. "Developers are doing detailed market studies, and they are financially stronger. They have the backing of a strong partner or a financial institution."

Enticing returns

At Jones Lang Wootton in Lyon, European partner and CEO Jean-François Prenot points out that returns on investment in Lyon are even higher than those for Paris, with Lyon residential property bringing in returns of 6-6.5 percent, offices 9-10 percent, warehouses 11.5-12 percent and industrial space 12-12.5 percent.

At the beginning of this year, only 30,000 square meters (322,580 square feet) of new office space were available, according to a report prepared by FNAIM Entreprises. The report points out that "users who need spaces larger than 2,000 square meters within a period of one year will have enormous difficulty in finding a solution among the existing stock." This situation creates interesting opportunities for investors, who are now taking a close look at the city.

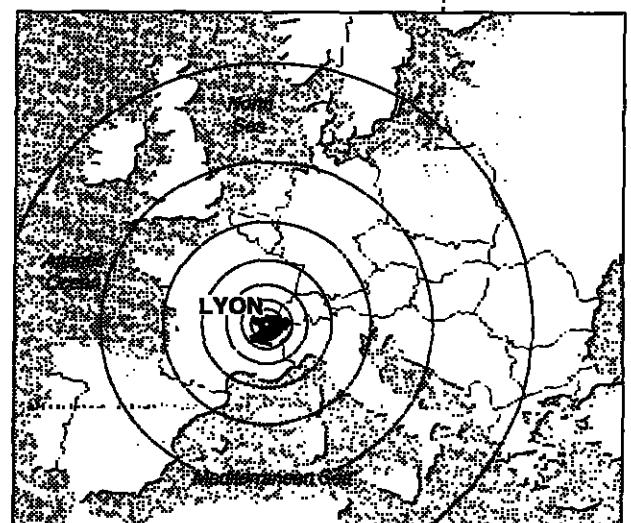
"We are seeing all types of investors coming back," says Mr. Prenot. "The French, American pension funds, the English, the Dutch, etc. But the situation is the same as in Paris: immediately available products are rare." He predicts that over the next couple of years "a number of projects that have been gathering dust are going to be coming out of the closet under the pressure of strong demand."

Alain Schori, regional director of Auguste Thouard realtors and president of FNAIM Entreprises, also notes the return of interested investors to Lyon, including Americans looking to relaunch construction in the city. "This is the second-largest city in France," he says, "with the second most important real estate market. We have a solid economy, a business sector that works and a local government that invests in infrastructure."

Plenty and varied opportunities

The opportunities are there. Land and/or floor space are available in service-sector premises (Part-Dieu and Cité Internationale), technology parks (Gerland, Porte des Alpes and Techlid), business parks, urban business parks (redeveloped inner-city industrial areas), industrial parks (manufacturing) and logistics parks (platform at Mions-Corbas) in the Greater Lyon area. In addition, Lyon is planning a major redevelopment of the Perrache-Confluent area, where the Rhône and Saône Rivers meet in the south of the city. Mayor Raymond Barre sees this development as the basis for the "Lyon of the 21st century."

Lyon itself provides an ideal setting for doing business, with 2,000 years of history, a strategic location in Central France, top-notch transport connections (high-speed TGV trains, the French highway network, two airports), a wealth of major universities and research centers, strong scientific and



technical industries, and a thriving small and medium-sized enterprise sector.

When it comes to the quality of life, few cities could offer more: comparatively low living expenses, some of the best restaurants in France, a handsome city with historic quarters and vestiges of Roman times, an active cultural life (theater, music, art), proximity to the Alps and the Mediterranean, and an international school for the children of foreign workers.

Local officials have demonstrated their will to provide the necessary infrastructure and the pleasant environment that international investors are looking for. Through ADERLY (Lyon Area Development Agency), Greater Lyon's business-promotion unit, and the Greater Lyon Department of Economic and International Affairs (DAEI), they also offer concrete assistance of all types, including legal, administrative and financial advice; help in finding locations; and even assistance in finding jobs for spouses of workers transferred to the city. Representatives of both agencies are on hand at the MIPIM real estate conference in Cannes through March 15.

Heidi Ellison

SITES FOR ALL KINDS OF BUSINESSES

Developments target both business needs and quality of life.

Investors interested in development projects in Greater Lyon have a wide variety of options, all of which stress quality of life as much as business activities.

The most prestigious location for the development of office space is Part-Dieu, the business center that has been built up around the TGV (high-speed train) station of the same name over the past 20 years.

Downtown business center With a prime location in the heart of Lyon, Part-Dieu has 500,000 square meters (5.4 million square feet) of office space, 20,000 jobs, 1,000 hotel rooms, 6,500 parking spaces, a subway station and a thriving shopping center that attracts some 80,000 people a day.

Part-Dieu is still expanding. According to Eric Junod, sales director for development company Société d'Equipement du Rhône et de Lyon (SERL), 22,000-24,000 square meters of floor space are available for development to the north of the TGV station, and more to the south. Parcels of 11,500 square meters and 13,500 square meters are also available.

A new 650-space underground parking lot will be completed by the year 2000, at which time an 11,000 square

meter office building will go up on top of it. The center's environment is being upgraded with new esplanades, squares and greenery.

The Porte des Alpes development area is located to the east of Lyon, at the intersection of highways leading to Geneva, Chambéry, Grenoble, Turin, Paris, the Mediterranean and Spain. It is next to the Lyon-Bron business airport and 10 minutes from the Lyon-Satolas International Airport. The already-developed site is home to the Euroexpo international exhibition center (2 million visitors per year), the University of Lyon II (12,000 students), the Parc de Parilly and its horse-racing track, a shopping center and 1,000 hotel rooms.

Mr. Junod says that 3.5 hectares of land are currently up for sale on the site and that more will be available this year. Porte des Alpes has 40 additional hectares of land with development potential.

Merial, a world leader in vaccines and veterinary products, is currently expanding its production facility on the site.

Focus on high-tech The science park being developed at Porte des Alpes is a suitable location for high-tech companies, and the pres-

ence of the university, with its research labs and science and engineering students, also makes it attractive to companies specializing in environmental and other scientific activities.

Landscaping and green spaces are an important part of the development plans for Porte des Alpes, which will have forests, French-style gardens and walking and biking trails.

One of Greater Lyon's priorities for development is what is called the Perrache-Confluent project. This is the point of land in the south of Lyon formed by the confluence of the Rhône and Saône Rivers and encompassing the Perrache TGV (high-speed train) station. The plan calls for the development of economic, scientific, research, higher-learning and cultural activities, as well as additional housing. To enhance the beauty of the riverside site, a park will be created at Gerland on the other side of the Rhône. Already home to many biotechnology companies, Gerland will be connected to the subway system in 2000. The Edouard Herriot port will be modernized and reorganized.

Situated along a landscaped curve of the Rhône River on the northeastern edge of Lyon, the Cité In-

ternationale development is already in full swing. Designed by Renzo Piano, the complex includes offices, a conference center, a cinema complex, shops, green spaces and a parking lot. In 1999, a Hilton Hotel will open, and further office space and housing are planned for the future.

On the western edge of Lyon is another science park, Techlid, currently home to 2,600 businesses, most of them working in the areas of electronics, computers, biotechnology, engineering and design. Land is still available for development on this site.

Southeast of the city, Greater Lyon is developing the Mions-Corbas logistics platform connected to the north-south highway and to a rail line.

H.E.

WHY LYON? THE BUSINESS VIEW

Lyon is a good place to do business, but is also a good place to stay in business and to expand, as has been demonstrated by a number of outside companies that have chosen the area as their European base.

Among the international enterprises and organizations that have set up shop in Greater Lyon are the U.S. company Hewlett-Packard, which is now increasing its investment in its Lyon operations; JETRO, the Japanese external trade organization; the U.S.-based Monsanto and Carrier (an air-conditioning company that will create 900 jobs); and Danfoss of Denmark, which is constructing a new building and will account for 658 jobs; to mention just a few.

What brings them to the Lyon area? According to Guy Malher, a director of Merial, a joint venture formed in 1997 by Rhône-Poulenc and Merck & Co. of the United States to produce veterinary vaccines and medicines, the area's sophisticated research facilities and institutions of higher education are a major factor for a company like Merial, which works closely with them. He also cites Lyon's geographic situation "at the crossroads of Northern and Southern Europe" and its transport connections, including the TGV high-speed trains, the highway system and the international airport, as well as its pool of skilled workers.

"We mustn't forget the pleasures of life," says Mr. Malher, referring to Lyon's opera house, theaters, concerts and museums, and, of course, its reputation as one of the gastronomic capitals of the world.

Thomas Charlemont, the sales director of the U.S. company Belden Wire & Cable's office in Lyon, stresses the reasonable cost of living in Lyon. "You can live very well here, as well as in Paris," he says, "but it costs less." Lyon was also chosen by Belden for its infrastructure and transportation connections.

Guy Charveriat of Wacker, a German company whose core areas are semiconductors and materials including polymers and silicones and which has had offices in Lyon since 1991, gives top priority to Lyon's expertise in chemistry. He also points to the low cost of living and easy pace of life. "We can work calmly here," he says. "There is less life. We can work calmly here." The city's international school was also a plus for Wacker. "Our turnover has increased since we've been here," adds Mr. Charveriat, "and our workers are happy to be here."

H.E.

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WORLD ROUNDUP

Malone Loads Up

BASKETBALL Karl Malone, the Utah Jazz forward, said he intends to carry a handgun on road trips following a death threat last week in New Jersey.

"From now on, I'll be packing," Malone said.

Malone, who has a permit to carry a concealed weapon, told The Salt Lake Tribune that he has little faith in security at NBA arenas.

"Not until somebody gets shot or something like that — and it's going to happen, I'm telling you — are they going to do something about it," Malone said. "And I'm not going to be one of those 'uh-oh' kind of guys."

2 Shot in Pickup Game

BASKETBALL Trash talking during a pickup game escalated into gunfire, leaving a teenager dead and a man seriously injured, Alvin Person, 20, was charged with first-degree murder in the death of Jeramie Jackson, 15, after the shooting Monday in Siler City, North Carolina.

"It was a pretty physical game, and it went from bad to worse," said Doug Stuart, a police detective. "Feelings got hurt, tempers flared, and the next thing you know, a guy gets an assault rifle out of his car and opens fire on 10 people."

Person started driving away. Then, according to police reports, he stopped, got back out and fired a half dozen rounds at the crowd with an AR-15 assault rifle.

"He thought he had just shot up toward that area," Stuart said. "He was just trying to scare them."

Jackson died Tuesday afternoon, said a hospital spokeswoman, and Charles Anthony Baylor, 20, was in good condition Wednesday. (AP)

Aussies Refuse to Train

CRICKET The Australian team on Wednesday threatened to boycott a match against a junior Indian team because it involved traveling by train.

The Australian team was scheduled to fly to Jamshedpur, about 150 kilometers (95 miles) from the eastern city of Calcutta, but a chartered flight failed to materialize. The organizers made train bookings, but the Australians refused to go by train, said Press Trust of India press agency. Another plane was chartered. (Reuters)

Evans Ends Wales Career

RUGBY UNION Iwan Evans, the Wales and British Lions winger, retired from international rugby on Wednesday. Evans, 34 next week, captained Wales a record 28 times in his 71 international. (Reuters)

Steels Wins in Vichy

CYCLING Tom Steels, a Belgian with the Mapei team, won the 194.5-kilometer third stage of the Paris-Nice race on Wednesday. Steels beat Andrei Tchmil in the finish in Vichy. Frank Vandembroucke, another Mapei rider, kept the overall lead. (AFP)

Mourning Throws His Elbows, but Bulls Shrug

The Associated Press

The Chicago Bulls widened their lead at the top of the Eastern Conference playoff race with a victory over third-place Miami.

Michael Jordan scored 39 points as the Bulls beat the Heat, 106-91, on Tuesday night, increasing their lead to 2½ games over Indiana and 3½ over Miami.

Scottie Pippen added 19 points for the host Bulls (46-16), who shot 54 percent in winning for the 12th time in 13 games. Alonzo Mourning scored 21 points for Miami, which had its 11-game road winning streak snapped.

Mourning elbowed Jordan in the head while setting a screen early in the third quarter, but no foul was called. Mourning later elbowed Pippen while setting another screen, and Pippen threatened to punch the Miami center.

Jordan said that Mourning "can't get into my head and intimidate me. He'll have to hit me harder than that."

Pat Riley, the Miami coach, said: "Winning would have helped us a lot more than them. I don't think they believe anyone is going to beat them when it counts."

SPRING 79, Nets 78 New Jersey dropped into a tie with Washington for the eighth playoff spot in the east by losing at the buzzer in San Antonio.

David Robinson made a lay-up as time ran out, sending New Jersey to its sixth straight loss. The Nets have lost four of those games by three points or fewer.

Knicks 85, Magic 78 Orlando fell a half-game behind the Nets and Wizards by losing in New York.

Charlie Ward, one of the Knicks' guards, reached double figures in points and assists for the second straight game. He had 10 points and 10 assists as the Knicks completed a sweep of the teams' four-game season series and snapped a three-game losing streak that tied their longest of the season.

"I'll probably never be a superstar in this league, might not be on the All-Star team, but one thing I can do is play hard every night and do the best I can," Ward said.

Wizards 93, Bucks 77 Chris Webber scored 24 points and Rod Strickland had 17 points, 11 rebounds and 10 assists in Washington's victory in Milwaukee.

Rockets 97, Mavericks 91 In Houston, Clyde Drexler scored 24 points, Kevin Willis had 20 points and 12 rebounds, and Hakeem Olajuwon had 13 points and eight rebounds. Olajuwon also needed four stitches over his right eye after colliding with the Mavs' Cedric Ceballos.

SuperSonics 111, Raptors 93 Gary Payton scored 24 points and Dale Ellis had 18 as Seattle improved its league-best record to 47-15. The SuperSonics are 25-4 at the Key Arena in Seattle.

Suns 100, Nuggets 76 In Denver, Antonio McDyess scored 18 points, Jason Kidd had 17 and Phoenix handed the Nuggets their 16th straight loss.



Alonzo Mourning of the Miami Heat leaning into the Bulls' Dennis Rodman during the fourth quarter of Chicago's 106-91 victory.

Michigan Madness: NCAA Picks 5 Schools

By Nicholas J. Cotsonika
Washington Post Service

ANN ARBOR, Michigan — Now that Michigan has won the inaugural Big Ten Conference men's basketball tournament, the Wolverines are among America's hottest teams heading into the NCAA tournament this week. But they might not be the best team in their own state — or even their own county.

Just a 10-minute drive down Packard Street is Ypsilanti, the home of Washtenaw County's other tournament team, Eastern Michigan, which beat the Wolverines in Ann Arbor this season. Within two hours are the three other Michigan schools to make the NCAA's 64-team field: Western Michigan and Michigan State, both of which beat the Wolverines this season, and the University of Detroit, beaten by the Wolverines on a last-second shot in November.

With five teams, this state is more involved in March Madness than any other. And considering that the Wolverines (24-8) beat a top-ranked Duke team in December — and all of their neighbors have beaten them or come within a second of doing so — some natives say the Final Four should be moved from San Antonio to Detroit and turned into the Final Five.

"Not quite," laughs Travis Conlan, a Michigan guard "but we do play some good basketball here. When people think about hoops, they think of North Carolina and Indiana.

But we're not bad ourselves."

So many teams from this state received tournament berths, the NCAA seems to run out of room on the bracket. In the East Region, fourth-seeded Michigan State (20-7) and 13th-seeded Eastern Michigan (20-9) will travel all the way to Hartford, Connecticut, for their first-round game on Thursday — against each other. Michigan State shared the Big Ten regular season title with Illinois; Eastern Michigan won the Mid-American Conference tournament.

Detroit of the Midwestern Collegiate Conference, hasn't been to the tournament since Dick Vitale, who comments for ESPN, was the coach in 1979. When the Titans (24-5) were selected, Vitale shouted into the camera: "Hey, I'm prejudiced right now! Go Titans, baby!"

What really shows the strength of Michigan basketball is the selection of Western Michigan. The Broncos (20-7), whose only other NCAA appearance came in 1976, tied Ball State for the MAC's West Division title but lost twice to the Cardinals during the season. The NCAA's selection committee chose the Broncos of Kalamazoo over the Cardinals anyway, leaving Bob Donewald, the Broncos' coach, to say he was "dumbfounded and astounded."

"To get an at-large bid is the greatest compliment you can receive," he said. "But somebody was paying attention to our state this year."

Nevada-Las Vegas Silences the Doubters

After Creaky Start and Without Star, The Rebels Win WAC Tournament

By Tim Graham
Washington Post Service

LAS VEGAS — The Nevada-Las Vegas men's basketball team pulled off the improbable Saturday when it won the Western Athletic Conference tournament championship amid numerous distractions and without its best player.

In doing so, the Runnin' Rebels earned their first trip to the NCAA tournament since 1991, the year they reached their second straight Final Four as the defending national champions.

"They doubted me. They doubted my staff. They doubted my team," said Bill Bayno, the Rebels coach. "And we proved them wrong."

UNLV faces Princeton on Thursday in an East Region first-round game at Hartford Civic Center.

Since their 1991 NCAA appearance, the Rebels have been dogged by NCAA violations, player suspensions and coaching turmoil.

Jerry Tarkanian, who began this season with the highest winning percentage among active coaches, was forced out in 1992 after a published photo showed three of his players in a hot tub with Richard Perry, a convicted sports fixer.

Tarkanian's replacement, Rolfe Massimino, failed to get the Rebels into the NCAA tournament in his two seasons. When it was discovered that he had signed a \$375,000-a-year secret contract to supplement his \$511,000 salary, it took a \$1.9 million buyout in 1994 to sever ties with Massimino. UNLV has paid Massimino, now the coach at Cleveland State, \$377,083 annually since then and will continue to do so through September 1999.

There also were player scandals (Isiah Rider's academic proxy misspelled his name on three papers), coaching troubles (Massimino successor Tim Grgrich bailed after seven games, and was followed by Howie Land and Cle Edwards) and season after season of bad basketball in a vacant Thomas & Mack Center.

All that was supposed to change this season. The Rebels, who were 22-10 last season, were picked during the preseason to make the NCAA tournament. Some even dared to call them a top 10 team. But before the season was over, Rebel fans were booing Bayno and calling for his ouster.

Even before the school year began, the program appeared on the verge of collapsing again. A story in Sports Illustrated accused prize recruit Lamar Odom of cheating on his American College Test, leading to his controversial transfer to Rhode Island.

In September the NCAA suspended star center Keon Clark 11 games and starting power forward Kevin Simmons 14 games for accepting a fully paid, spring break trip to Orlando from a registered sports agent.

Clark, projected in the preseason as an NBA lottery draft pick, was suspended again last month for breaking team rules, two days after guard Corey Ausborne quit the team over a lack of playing time. After meeting with Bayno, Clark, a 6-foot-11 senior, also left the school for good.

Clark's departure was considered the end of the season. The Rebels were 14-12 with two regular season games left. They were in danger of not reaching the NIT.

"It just seemed like we were listless and going through the motions," UNLV Athletic Director Charles Cavanaugh said.

"It was all the turmoil, and things weren't working. All the things that make it confusing were there."

So, minus their star player, and with the postseason in doubt, the Rebels banded together and won six straight games. Behind leading scorer and lone senior starter Tyrone Neasey,

who averages 15.7 points and 5.7 rebounds a game, playmaker Mark Dickel (5.5 assists per game), outside threat Brian Keefe and inside forces Kaspas, Kambala, Simmons and Isiah Epps, the Rebels closed their regular season with victories over Wyoming and Colorado State.

"I knew from the first day of practice after we lost Keon that we were going to have a chance to do something special because of the emotion, intensity," Bayno said. "The players knew where they stood. It was focused, and we carried through with that from that day forward. The chemistry was there."

THE REBELS entered the WAC tournament without the benefit of a first-round bye, but they had the luxury of playing on their home court. UNLV knocked off Hawaii, No. 5 Utah, Tarkanian's Fresno State and No. 20 New Mexico.

Fans stormed the court after the victories over Fresno State and New Mexico. The championship win wasn't the most important victory in UNLV basketball history, but it certainly was the most startling. Reaching the big dance during the Tarkanian Era meant beating up on teams such as California-Santa Barbara to claim the Big West Conference bid.

Instead of using the dominant, run-and-gun style that made the program famous, the Rebels worked like dirt farmers to gain every little edge this time. The intensity paid off, especially on defense. Opponents shot 36 percent in those four WAC tournament games. "Everyone's unselfish and feeling happy for each other," said Dickel, who recorded a WAC tournament-record 12 assists in the 56-51 victory over New Mexico. "Guys are talking and backing each other up. In the middle of the year it felt like you were out there by yourself."

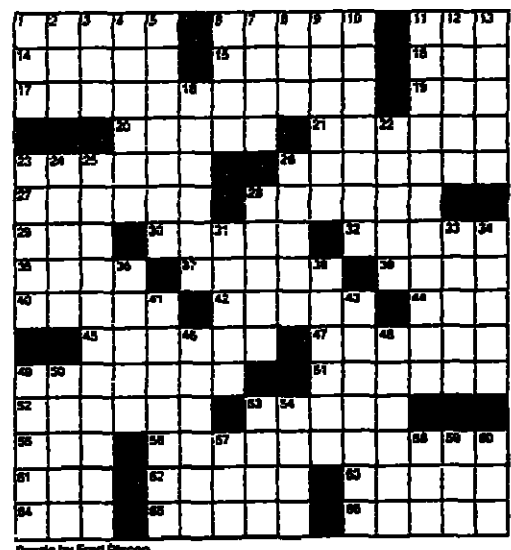
CROSSWORD

ACROSS

- 1 Ventures
- 5 Nantes's river
- 11 ——— Locks, Fla.
- 14 Familiar term of address
- 16 Recital feature
- 18 Populous area
- 17 It doesn't generate interest
- 19 Javits Center designer
- 20 Late comic Farley
- 21 Described as
- 22 Land of Robert Burns
- 26 College in Syracuse, N.Y.
- 27 Keep locked up

DOWN

- 2 Requirements for some badges
- 3 WW II heroes
- 30 Attack
- 32 ——— of Glenure ("kidnapped" character)
- 36 Some are liberal
- 37 Idiots
- 38 Russo of "Tin Cup"
- 40 Brief participant
- 42 Incurred
- 44 Skied guess
- 45 Place of darkness on the way to Hades
- 47 Evergreen hedge
- 48 Go-between
- 51 Relative of a grapefruit
- 52 40's-50's comedy team member
- 53 A Stogie
- 54 Road show grp.
- 55 Academy Award song of 1947
- 56 Man of the cloth, slangily
- 57 The "I" in IV
- 58 Treasure
- 59 Suffix with meth-
- 60 Popular disinfectant
- 61 Pre-Novocain stuff
- 62 Prefix with comic
- 63 Ale
- 64 Clorox Company cleanser
- 65 Hype
- 66 Horticultural's topic
- 67 Significance
- 68 Peirarch's beloved
- 69 "A Doll's House" dramatist
- 70 Blood fluid
- 71 Patch up
- 72 Bowery bum's affliction
- 73 Homer Simpson exclamation
- 74 Blvd.
- 75 Any boat



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Small Victory: Flyers Draw with Devils

The Associated Press

PHILADELPHIA — Roger Neilson opened his reign as Philadelphia Flyers coach with a hard-fought tie against the New Jersey Devils.

"We were outplayed, but it's good when you can scramble and get a tie," Neilson said after the 2-2 battle with the Eastern Conference leaders on Tuesday.

Neilson, hired to replace Wayne Cashman as head coach after Philadelphia fell 12 points behind the Devils, met with his players for a few minutes Monday and made a few minor changes at Tuesday's practice.

Hours later, he had a first look at the crisis dumped in his lap. Considering the Flyers' inconsistent play and weak defense of late, he could not really complain about the result.

The Devils outshot the Flyers, 35-19, getting goals from Randy McKay and Bobby Holik. But Philadelphia rallied from two one-goal deficits on goals by Chris Therien and Alexandre Daigle, and Ron Hextall stopped a flurry of point-blank shots.

It will take a lot more to catch the streaking Devils. New Jersey extended its undefeated streak to 12 games and was 12 points ahead of Philadelphia.

The Flyers have won just four of their

last 13 games, a slump that led the team to demote Cashman. A year after their trip to the finals, they remained winless in nine games this season against the league's best teams — New Jersey, Detroit, Dallas and Colorado.

The Devils allowed three goals or fewer in each of their previous 19 games.

NHL ROUNDOUP

and this one was no different. They improved to 3-0-1 against the Flyers this season using the same neutral-zone trap Neilson pioneered.

The Devils scored first when McKay slipped past the Flyers' defense, took a pass from Jason Arnott and one-timed it past Hextall.

Three minutes later, Chris Gratton won a faceoff in the Devils' zone, then screened Martin Brodeur as Therien scored.

The Devils went ahead, 2-1, less than two minutes into the third period when Holik took Arnott's pass and slapped it on net. Hextall got his glove on it, but the puck slipped past.

Daigle, whose goal gave the Flyers a 4-3 overtime victory over Pittsburgh on Sunday, tied it with five minutes left.

"They shut us down at every angle and we just kept coming until we tied it

twice," Neilson said. "I think that part was the best."

Braves 6, Red Wings 3 In Detroit, Tim Lincecum had a goal and two assists, and Boston scored three power-play goals to hand the Red Wings their third straight loss.

Kings 4, Coyotes 3 Rob Blake had a goal and an assist in a four-goal first period as Los Angeles won in Phoenix. Jason Morgan, Ray Ferraro and Glen Murray also scored for the Kings, who won for the 13th time in 19 games.

Islanders 2, Sabres 2 Jason Woolley's power-play goal at 7:42 of the third period lifted visiting Buffalo into a tie with New York.

All four goals were scored on power plays as the referee, Richard Troutier, issued 16, nine to the Islanders.

Islanders Fire Their Coach

The New York Islanders dismissed Rick Bowness as coach on Wednesday. Mike Milbury, the team's general manager will take over in an attempt to get the team into the playoffs for the first time since 1994. The Associated Press reported from Uniondale, New York. Milbury will be coaching the Islanders for the second time. He was replaced behind the bench by Bowness a year ago.

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SPORTS

Bosox Open Their Vault To Sign Up Garciparra

The Associated Press
FORT MYERS, Florida — Nomar Garciparra, the American League Rookie of the Year, and the Boston Red Sox agreed to a landmark \$22.25 million, five-year contract that could escalate to \$44.5 million if the team exercises two option years.

The deal, unprecedented for a player who has been in the major leagues for little more than one season, came after six weeks of negotiations.

Garciparra, who made the major-league minimum \$150,000 last season, will receive a \$2 million signing bonus, \$600,000 in 1998, \$900,000 in 1999, \$3.3 million in 2000, \$6.85 million in 2001 and \$8.6 million in 2002. Boston has options for \$10.5 million in 2003 and \$11.5 million in 2004.

"This is a very rare and talented player," said Boston's general manager, Dan Duquette. "What he's done, few people have ever done their first year in the league."

Garciparra hit .306 with 30 homers, 98 RBIs, 122 runs and 22 steals last season, and was the unanimous choice for AL Rookie of the Year. He also led the majors with 68 multi-hit games, 209 hits and 11 triples. His 30-game hitting streak broke Gay Curtright's AL rookie record, set in 1943.

Separately, in Dunedin, Florida, Lenny Dykstra insisted he would not be a backup for the Philadelphia Phillies. "Like I said before, the easiest thing for the Phillies would be to release me," Dykstra said Tuesday after playing 3 1/2 innings in a 14-3 victory over the Toronto Blue Jays.

Dykstra, who had an angry 20-minute meeting Monday with the team's acting general manager, Ed Wade, and its manager, Terry Francona, is off to a 2-for-18 (.111) start this spring after missing 1 1/2 seasons because of injuries.



Steffi Graf reaching for a backhand shot in her victory over Natasha Zvereva in a tournament in California.

Graf Steamrollers Another Opponent

By Robin Finn
New York Times Service

INDIAN WELLS, California — Steffi Graf is back with a vengeance and without mercy. It is business as usual for Graf, who has not lost her touch when the time comes to dissect her opponent.

Using her forehand like a scalpel, Graf continued her reign of terror at the State Farm Evert Cup, where she has never lost a match.

Graf, the two-time champion here, turned her attention to Natasha Zvereva on Tuesday in the quarterfinals and, forcing Zvereva to relive bad memories of her 6-0, 6-0 annihilation in their 1988 French Open final, demolished her by 6-3, 6-0.

"I'm playing better than I anticipated, but maybe I haven't had the opponents yet that maybe push me or put me under pressure," said Graf, the third seed.

She raced through the previous round

over Ai Sugiyama, 6-0, 6-1. Zvereva kept things close for the initial six games only to find herself reduced to the role of tortoise as Graf increased the pace and ran away with the match.

"After a shaky start in the first set, I really wanted to get my act together, and I did it, I went for my shot, I wasn't trying to win, 6-0. I just wanted to play a steady set," said Graf, who did both.

As far as the event's defending champion, Lindsay Davenport, can tell, this comeback version of Graf, who was out nine months following potentially career-ending knee surgery, is just as scary as the old version.

"I saw her play last night and I thought it was the old Steffi Graf; she looked unbelievable, hitting her forehands and backhands so close to the lines, just so dominant, moving really well," said Davenport.

She remained on a collision course to meet Graf in the semifinals following a routine 6-2, 6-2 dismissal of Ruxandra

Dragomir on Tuesday in the fourth round.

Davenport will face unseeded Sandra Cacic but could not resist looking ahead to Graf.

"I would love to play her," she said. "She looks awesome again."

Like Graf, top-ranked Pete Sampras was in a mood to dominate, even if it had to happen at the expense of his golf buddy, Todd Martin.

Sampras proceeded to the third round of the Newsweek Champions Cup with a 6-1, 7-5 dismissal of Martin, who has been unable to put a dent in Sampras's game in their last nine meetings.

Sampras said Martin, with his height and his tricky ball toss, can be a troublesome opponent.

"He's 6 foot 6, and with his service motion, it's like a crane coming down on you," he said.

But it was Sampras, now enjoying his 100th consecutive week at No. 1, who lowered the boom. "If I'm playing well, I don't mind playing anyone," he said.

Bayern Fines Players For Criticizing Coach

3 Midfielders Complain About Trapattoni

Compiled by Our Staff From Dispatches

Bayern Munich imposed hefty fines Wednesday on three German international midfielders who criticized coach Giovanni Trapattoni, the club's coach.

The club ordered the three players — Mario Basler, Mehmet Scholl and Thomas Strunz — to pay 20,000

Soccer Roundup

Deutsche marks (\$11,000) each to charity for saying the coach's tactics were too negative after Bayern lost, 1-0, to Schalke 04 on Sunday.

"They broke an agreement that we don't talk publicly about technique, tactics, and, above all, about the coach," said Uli Hoenes, the club's manager.

Franz Beckenbauer, Bayern's president, said: "There's no one better than him. He has 100 percent backing."

The criticism by the players prompted a furious outburst from Trapattoni at a news conference Tuesday. Gesticulating wildly, he said he was sick of defending his players after poor performances.

"That outpouring of anger was justified," Beckenbauer said. "It may be that we take a radical step and play with a completely new team next year."

Bayern had shown remarkable harmony this season. Last season, the frequent internal bickering amid intense media interest earned the club the nickname "FC Hollywood."

World Cup coach Joao Havelange, the president of world soccer's governing body, said Wednesday that he supported England's bid to stage the World Cup. Havelange, 82, met with Tony Blair, the British prime minister, for 45 minutes and then said, "It is my personal wish that the 2006 World Cup takes place in England."

England is one of three countries definitely bidding for the 2006 World Cup finals along with Germany and South Africa.

Italy League officials are considering switching Serie A matches from

Sunday to Saturday afternoons in 1999.

The League is anxious to cash in on pay-per-view television. It is considering the format of the English Premiership, which has a lucrative contract with SkyTV, a subscription satellite broadcaster.

Under the plan, reported by Gazzetta dello Sport on Wednesday, seven of the nine Serie A matches would be played Saturday afternoons, one on Saturday evening and one on Sunday evening.

Currently, eight games are played on Sunday afternoon and one on Sunday night, which is broadcast live.

The move would be welcomed by Italy's church leaders, who have long protested the monopolization of Sundays by soccer. League officials say they believe that moving the Serie A to Saturdays would mean a wider television audience and bigger crowds at Serie B and Serie C matches, which would still be played on Sundays.

Nigeria's World Cup players have turned down the government's offer of \$6,000 each for each of the three first-round matches, a newspaper reported Wednesday.

According to the Lagos Punch, the players wanted \$8,000 each.

Everton's Steve Harkness, a Liverpool defender, said Wednesday that he was considering legal action against Stan Collymore, an Aston Villa striker, to stop Collymore repeating claims that Harkness racially abused him.

The pair had called a truce after meeting face to face at the Professional Footballers Association on Sunday.

But Collymore, who moved from Liverpool to Villa last summer, then appeared on a television show to discuss the dispute, which arose out of comments allegedly made by Harkness during Villa's Premier League match against Liverpool on Feb. 28.

"We're very disappointed Collymore has done this, after everything the players agreed to," said Richard Hallows, Harkness' lawyer.

SCOREBOARD

BASEBALL

EXHIBITION BASEBALL

TUESDAY RESULTS

Texas 10, Tampa Bay 5
Cleveland 14, Detroit 3
New York Yankees & Kansas City 6, 10 innings, no-hit agreement
Philadelphia 14, Toronto 3
St. Louis & Baltimore 3, no-hit agreement
Pittsburgh & Milwaukee 1
Los Angeles & Florida 7
Houston 18, Montreal 2
Anaheim & Seattle 10, 10 innings
Chicago White Sox 7, Oakland 3
San Francisco & Milwaukee 4
Colorado & Arizona 5
Boston & Cincinnati 5
Toronto 10, New York Yankees 6
Chicago Cubs & San Diego 3, 10 innings

BASKETBALL

NBA STANDINGS

EASTERN CONFERENCE
ATLANTIC DIVISION
W L Pct GB
Miami 41 20 .683 —
New York 39 22 .640 1
New Jersey 30 31 .490 10
Washington 29 32 .475 11
Orlando 28 33 .458 12
Boston 27 34 .442 13
Philadelphia 21 39 .347 19

CENTRAL DIVISION
W L Pct GB
Chicago 40 21 .656 —
Indiana 38 23 .620 2
Charlotte 36 25 .590 4
Vt. 34 27 .558 6

WESTERN CONFERENCE

NORTHWEST DIVISION
W L Pct GB
Utah 44 16 .733 —
Denver 42 18 .700 2
Portland 41 19 .683 3
Seattle 39 21 .656 5
Minnesota 38 22 .633 6
Phoenix 37 23 .617 7
San Antonio 36 24 .600 8
Dallas 35 25 .583 9
New York 34 26 .567 10
San Jose 33 27 .550 11
Sacramento 32 28 .533 12
Golden State 31 29 .517 13
L.A. Clippers 30 30 .500 14
L.A. Lakers 29 31 .483 15
San Diego 28 32 .467 16
Houston 27 33 .450 17
New Orleans 26 34 .433 18
Memphis 25 35 .417 19
Milwaukee 24 36 .400 20
Cleveland 23 37 .383 21
Detroit 22 38 .367 22
Columbus 21 39 .350 23
Charlotte 20 40 .333 24
Washington 19 41 .317 25
Orlando 18 42 .300 26
New York 17 43 .283 27
Boston 16 44 .267 28
Philadelphia 15 45 .250 29
Atlanta 14 46 .233 30
Miami 13 47 .217 31
New Jersey 12 48 .200 32
Indiana 11 49 .183 33
Charlotte 10 50 .167 34
Vt. 9 51 .150 35
Cleveland 8 52 .133 36
Detroit 7 53 .117 37
Columbus 6 54 .100 38
Washington 5 55 .083 39
Orlando 4 56 .067 40
New York 3 57 .050 41
Boston 2 58 .033 42
Philadelphia 1 59 .017 43
Atlanta 0 60 .000 44

BASEBALL

ATLANTIC DIVISION

Atlanta 32 29 .525 12 1/2
New York Yankees 31 30 .508 1
Boston 30 31 .492 2
Philadelphia 29 32 .476 3
Pittsburgh 28 33 .459 4
Cleveland 27 34 .443 5
Detroit 26 35 .427 6
Toronto 25 36 .411 7
Milwaukee 24 37 .395 8
Chicago White Sox 23 38 .379 9
Kansas City 22 39 .363 10
Minnesota 21 40 .347 11
St. Louis 20 41 .331 12
Oakland 19 42 .315 13
Texas 18 43 .299 14
Seattle 17 44 .283 15
San Francisco 16 45 .267 16
Los Angeles 15 46 .250 17
Colorado 14 47 .233 18
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PEANUTS



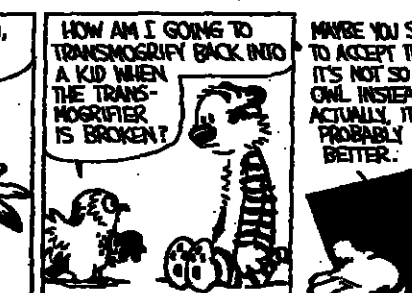
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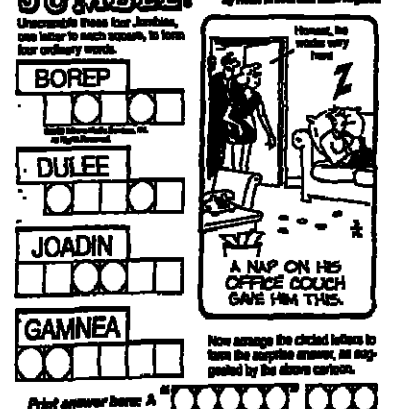
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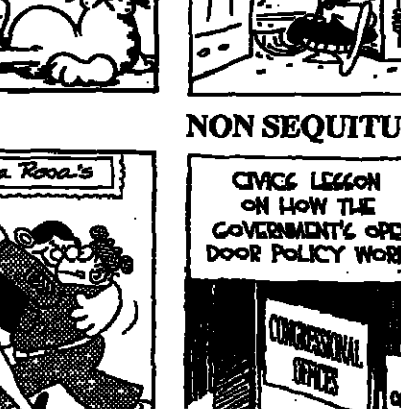
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